LVENTURE GROUP SPA FINANCIAL STATEMENTS YEAR 2016

APPROVED BY THE SHAREHOLDERS' MEETING OF 28 APRIL 2017

THIS REPORT HAS BEEN TRANSLATED INTO THE ENGLISH LANGUAGE SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS.

LVenture Group*
CAPITAL FOR GROWTH


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CAPITAL FOR GROWTH

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LUISS EnLabs
LA FABBRICA DELLE STARTUP


BIRRA SUPERIORE
NASTRO AZZURRO
ITALIANA

LETTER FROM THE CHAIRMAN

Dear Shareholders,

The Financial Statements I am about to sign, our Company's fourth, tell the story of a truly unique year, full of important and significant events, a year I would describe as one of transition, laying the foundation for rapid and sustainable growth.

Four events marked the course of this year and entailed a heavy commitment of departments and the top management alike.

The registered office was moved from the approximately 1,830 m^2 via Giolitti space to via Marsala, still inside Termini railway station, to a space measuring roughly 5,000 m^2, making us the largest business accelerator in Italy today. The new registered office was inaugurated on 8 July 2016, with the attendance of representatives from Confindustria (the Italian Manufacturers' Federation), Luiss Guido Carli University, the Lazio Region and our sponsors, Wind, BNL and Accenture.

Our third share capital increase was launched, with Brexit in full swing, on 20 June 2016, and was completed in July 2016 with an 81% success rate. This result was no small feat considering the uncertainty of the stock markets, which had seen companies with similar commitments pull back while ours forged ahead, also with the support of our first institutional investors that have expressed their confidence in our medium-term plans.

EnLabs, our business accelerator, has merged into LVenture Group, thus making our Company a Certified Incubator, with all of the benefits that entails, which will be described later on.

Lastly, we note a small yet significant event, including for the Stock Exchange, which triggered a considerable improvement in our share: the first exit from the startup Netlex.

We must admit that the climate of confidence and interest in our Company also benefitted from important new legislation: the implementing decrees of the Italy 2.0 Law with the incentives provided to certified incubators (including the possibility to access credit with a government guarantee covering 80%); and the new Budget Law 232/2016, which increased tax deductibility for natural persons and legal entities that invest in innovative startups and certified incubators to 30%, with a minimum holding period of three years, from the rates of 19% and 20%, respectively, applied previously.

LETTER FROM THE CHAIRMAN

The general focus on and interest in our Company helped our startups to grow more rapidly, gaining international credibility. Some of them, for example, are now in California, Chile and Germany, and have received awards and funding at international level.

The need to offset new costs with more substantial revenues led the Company to launch an interesting Open Innovation programme, involving new partners and corporations, which will be described in more detail below. Today, our results take this change into account, but we have not stopped dreaming and pushing the creativity and entrepreneurial spirit of our business people, with the confidence that good results will arrive. Therefore, we believe that 2017 will be a real turning point.

28 March 2017

Chairman
Stefano Pighini

COMPANY INFORMATION

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COMPANY INFORMATION

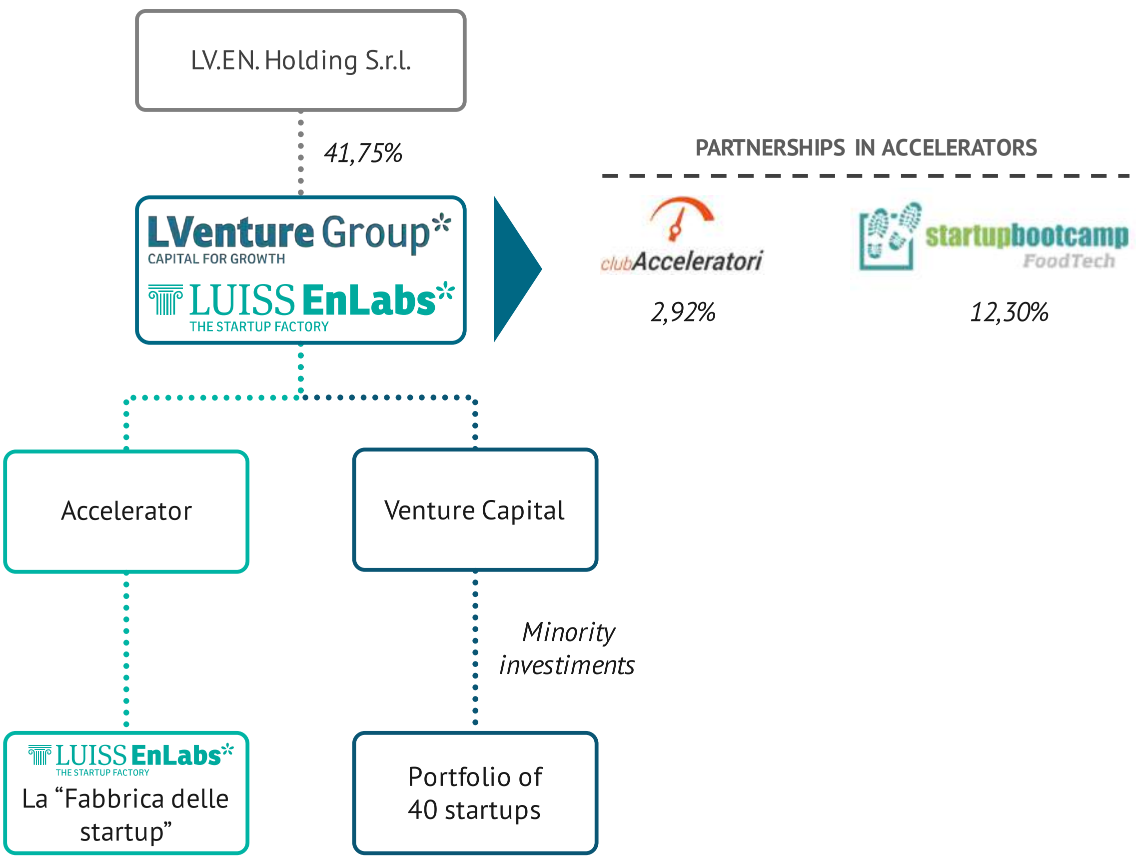
REGISTERED OFFICE

LVenture Group S.p.A.
Via Marsala 29/H
00185 ROME
Tel. +39 06 45473124

LEGAL INFORMATION

Resolved share capital €8,794,949
Subscribed and paid-up share capital €8,794,949
Tax Code and Rome Business Reg. no.: 81020000022
VAT no.: 01932500026
Rome Chamber of Commerce Economic and Administrative Index no. 1356785
LEI Code 8156001F4745B0CB0760
Enrolled in the special section of the Chamber of Commerce reserved for the *CERTIFIED INCUBATORS AND ACCELERATORS*

ORGANISATIONAL CHART AT 31 DECEMBER 2016



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KEY ECONOMIC AND FINANCIAL INFORMATION

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WARNING

On 20 December 2016, the deed of merger by incorporation of the single-member company EnLabs S.r.l. ("EnLabs") into LVenture Group S.p.A. ("LVenture Group" or "the Company") was entered into.

*The transactions of EnLabs were attributed to the Financial Statements of LVenture Group, also for tax purposes pursuant to article 172, paragraph 9 of Italian Presidential Decree no. 917 of 22 December 1986, as of, pursuant to art. 2504-bis, paragraph 2 of the Italian Civil Code, **1 January 2016**, while the merger took effect, pursuant to art. 2504-bis, paragraph 2 of the Italian Civil Code, as of 23 December 2016 for statutory purposes.*

*The methodology used to account for the merger by incorporation of EnLabs into LVenture Group is described in **Note 3** of the **Notes to the Financial Statements**.*

Aside from the separate data of LVenture Group at 31 December 2015, an additional column marked "Pro-Forma" containing the amounts from the Consolidated Financial Statements at 31 December 2015 has been included to allow for the comparison of the data relating to the year ending at 31 December 2016 with the previous year.

Main balance sheet indicators (€ thousands)	**2016**	**% change**	**2015 Separate**	**% change compared to 2015 pro-forma data**	**2015 Pro-Forma**
Investment Portfolio	8,901	27%	7,003	40%	6,343
Net Working Capital	8,816	22%	7,199	33%	6,648
Invested Capital	9,935	36%	7,319	42%	7,017

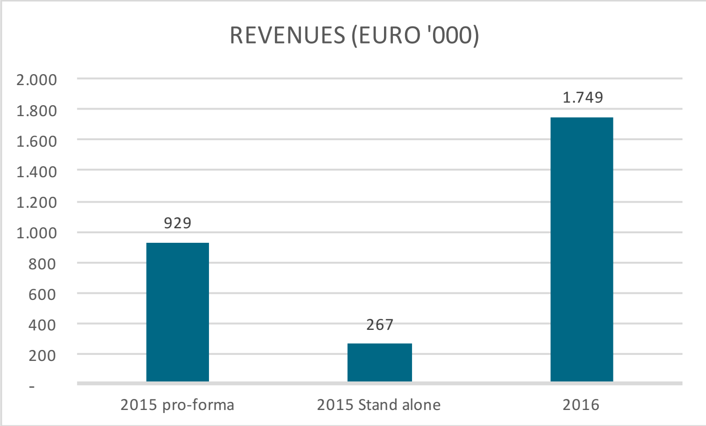
Main profit and loss indicators (€ thousands)	**2016**	**% change**	**2015 Separate**	**% change compared to 2015 pro-forma data**	**2015 Pro-Forma**
Revenues	1,749	555%	267	88%	929
EBITDA	-1,046	5%	-997	-9%	-1,148
EBIT	-1,862	72%	-1,083	47%	-1,269
Pre-Tax Result	-1,899	76%	-1,079	49%	-1,274
Net Result	-1,899	76%	-1,079	54%	-1,234

Main cash flow indicators (€ thousands)	**2016**	**% change**	**2015 Separate**	**% change compared to 2015 pro-forma data**	**2015 Pro-Forma**
Net Financial Position	932	8%	863	42%	656
Free Cash Flow	758	-124%	-3,134	-126%	-2,970
Operating Cash Flow	-964	3%	-938	-181%	1,187

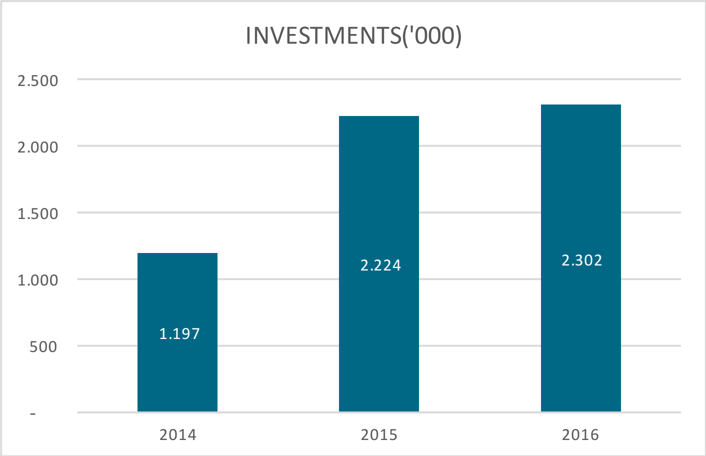
HIGHLIGHTS

HIGHLIGHTS

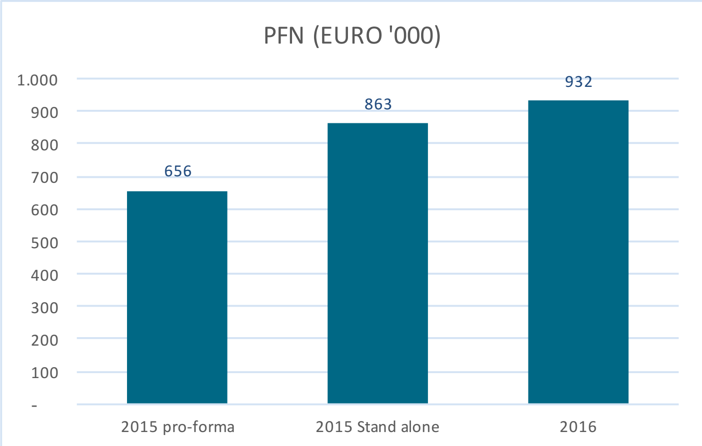
Revenues: in 2016, amounting to €1,749 thousand, up by roughly 88% compared to pro-forma revenues of the previous year.



Investments: in startups in 2016 they amounted to €2,302 thousand, up by around 4% compared to the previous year and in line with the 2016-2019 Business Plan.

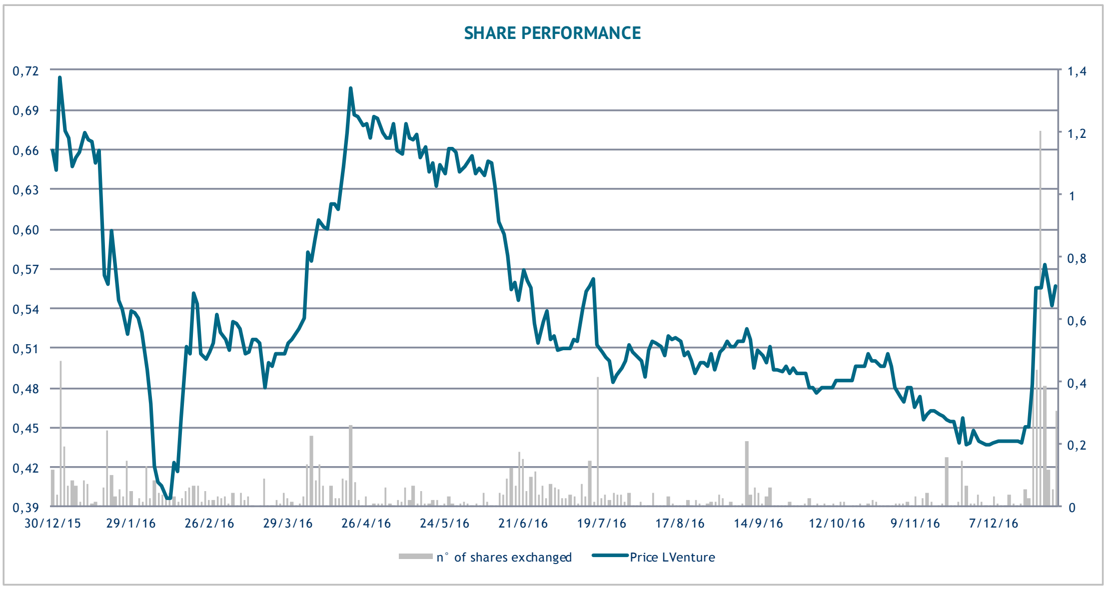


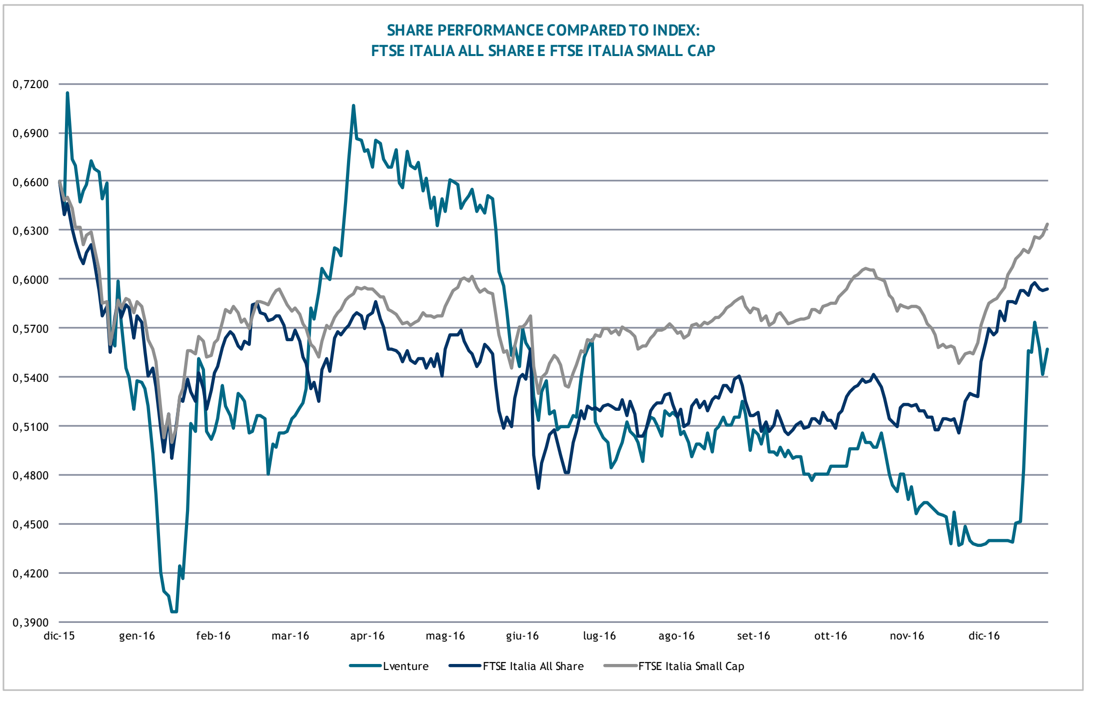
Net financial position: the NFP was positive in the amount of €932 thousand, with an increase of €276 thousand compared to the pro-forma amount of the previous year.



HIGHLIGHTS

MAIN STOCK EXCHANGE INDICATORS (EURO)	
Official price at 30/12/2015	0.6597
Official price at 30/12/2016	0.5575
Minimum price during the year	0.3961
Maximum price during the year	0.7142
Stock exchange capitalisation 30/12/2015	11,684,026
Stock exchange capitalisation 30/12/2016	14,272,008
No. of shares outstanding	25,600,014

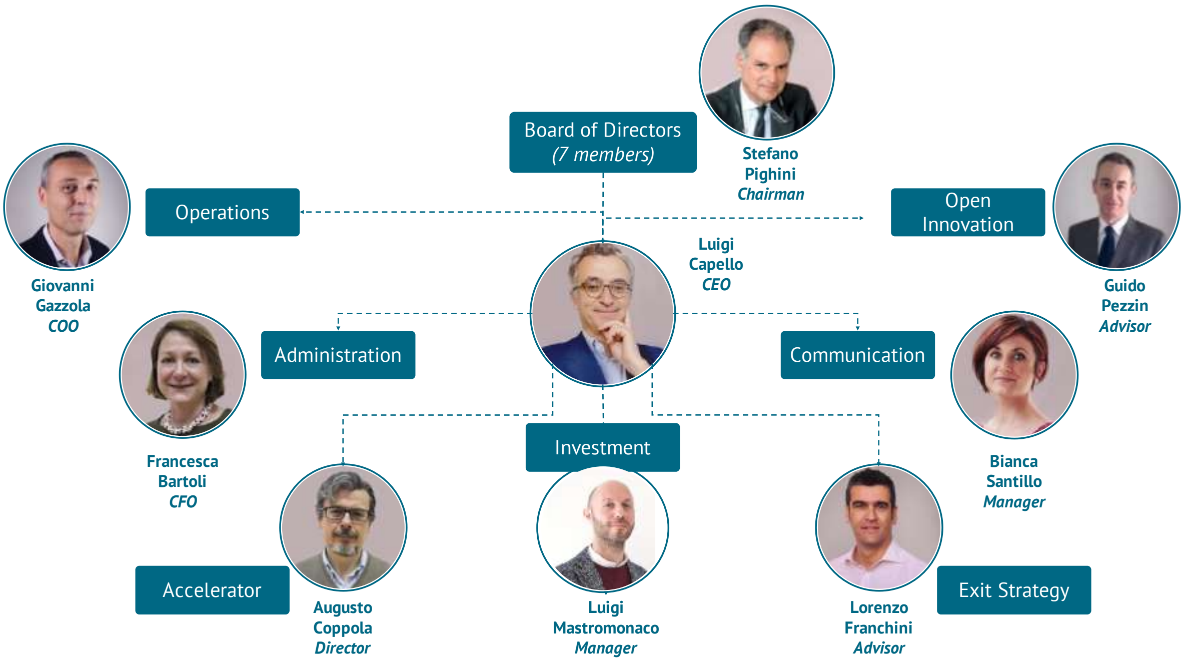




HIGHLIGHTS

Headcount	31/12/2016	31/12/2015	31/12/2015 Pro-Forma
Executives	1	1	1
Middle Managers	1	0	0
Employees	20	7	12
TOTAL EMPLOYEES	**22**	**8**	**13**
FREELANCE COLLABORATORS	**15**	**9**	**13**
GRAND TOTAL	**37**	**17**	**26**
Average employees during the year	***15.8***	***6.7***	***11.7***

THE TEAM



HIGHLIGHTS

PORTFOLIO AT YEAR-END

At 31 December 2016, the Company's portfolio included 40 startups and 2 investments/partnerships in *Accelerators*.

DESCRIPTION OF THE STARTUPS IN THE PORTFOLIO AT YEAR-END

APPS & SERVICES	
www.baasbox.com	**BaasBox** is *open source* software that enables *mobile app* developers to quickly install and manage back-end architecture supporting any application.
www.bemyguru.it	**Bemyguru** is a marketplace of corporate services where personalised professional advice can be requested in specific areas of expertise.
www.lexiqa.net	**Lexiqa** is software that allows for the online management and optimisation of the professional translation quality assurance (QA) process, limiting the operations carried out manually by translators.
www.majeeko.com	**Majeeko** is a service that makes it possible to automatically transform a Facebook page into a professional, customisable and responsive website which is always up to date.
www.spotonway.com	**SpotOnWay** is a service dedicated to users who manage commercial activities, which makes it possible to offer customer loyalty programmes by assigning points and rewards.
www.paperlit.com	**Paperlit (formerly Appsbuilder)** is a service that offers the possibility of transforming printed materials into digital content (like e-books, illustrated books) and automatically distribute it to mobile devices.
www.qurami.com	**Qurami** is an app which efficiently manages queues at branches and offices by assigning a virtual number, perfectly integrated within the flow of paper numbers, and monitors waiting times.
www.tiassisto24.it	**TiAssisto24** is an integrated consulting and assistance system for the management of all vehicle-related formalities, which helps to reduce the costs of owning a vehicle.
www.voverc.com	**Voverc** is a service that offers users the possibility of installing and rapidly managing, with limited costs, a cloud-based telephone switchboard relying on VoIP technology.

HIGHLIGHTS

APPS & SERVICES	
www.yakkyo.com	**Yakkyo** is a marketplace where users can find and purchase products from certified Chinese suppliers, managing the entire order process at factory prices and with no minimum orders.

FOODTECH	
www.direttoo.it	**Direttoo** is a digital sales platform which puts producers and restaurant owners into direct contact, shortening and speeding up the steps in the agri-food market supply chain.
www.moovenda.com	**Moovenda** is a food delivery platform focusing specifically on the market of high-end food products. Active in Rome and Viterbo, it relies on its own distribution network to guarantee rapid service.
www.pubsterapp.com	**Pubster** is an app-based loyalty programme for pub/restaurant/cafe customers which uses a virtual currency system to give free food/drink rewards.
www.risparmiosuper.it	**Risparmio Super** is a platform that can be used to compare product prices in real time and which recommends the best offers available in supermarkets in the area near the user.
www.wineowine.com	**wineOwine** is a wine e-commerce platform that can be used to discover and purchase extremely high quality wine produced by small Italian winemakers.

HEALTH & PERSONAL CARE	
www.bravepotions.com	**Brave Potions** is a service that enables children to experience medical treatment in a positive and fun manner by using digital and physical materials (syringe covers, cards, apps, etc.) provided to the physician in exchange for payment of a monthly subscription fee.
www.lecicogne.net	**Le Cicogne** is a marketplace for babysitting and other accessory services dedicated to parents and children.

HIGHLIGHTS

HEALTH & PERSONAL CARE	
FITPRIME www.fitprime.com	**Fitprime (formerly Checkmoov)** operates in the fitness sector, providing users with access to any affiliated sports centre, with no location or timing restrictions, through a single membership with enrolment through the app.

ENTERTAINMENT	
GAMEPIX www.gamepix.com	**Gamepix** is an aggregator and distributor of videogames in HTML5 language, that can be used on any device.
INTERACTIVE PROJECT www.interactiveproject.com	**Interactive Project** develops and distributes mobile and web videogames, particularly in the racing sector and games inspired by the world of motorsports. It recently became part of the international group Motorsport.com.
KARAOKE ONE www.karaoke-one.com	**Karaoke One** is an app that allows users to register and share their singing performance on more than 3,000 professional musical tracks.
nextwin www.nextwin.com	**Nextwin** is a social sports prediction game in which users simulate betting using virtual currency and competing with other users. Nextwin also recently launched Invictus, a bet advisor based on Artificial Intelligence.
SOUNDREEF ROYALTIES MADE EASY www.soundreef.com	**Soundreef** offers a service for the management of musical rights alternative to the SIAE (the Italian Society of Authors and Publishers), provided more efficiently and with better economic conditions for the artists.
VERTICOMICS www.verticomics.com	**Verticomics** is an app that can be used to purchase the best Italian and international comic strips adapted to the vertical digital format at low prices and read them from a tablet or smartphone, even when not connected.

COMMUNITY	
babaiola www.babaiola.com	**Babaiola** is a travel and experiences search engine exclusively for the LGBT community capable of indicating the most gay-friendly and welcoming destinations and proposing the best travel options.
{codemotion} www.codemotionworld.com	**Codemotion** organises international technical conferences in all languages and programming technologies. It also organises training courses for children (Codemotion Kids) and professionals, tech meet-ups, workshops and hackathons.
donapp www.donapp.it	**Donapp** is an app that can be used to donate part of the money spent at merchants affiliated with the platform to charity.
Tutored www.tutored.it	**Tutored** is a social platform that connects students, organisations and universities all over the world, allowing them to find all the resources they need to organise their university life as efficiently as possible.
Whoosnap www.whoosnap.com	**Whoosnap** is an app that makes it possible to request photos of a specific place or event in real time in exchange for rewards, discounts or remuneration offered directly by the requesting party. The quality, location and time of the uploaded photographs are certified.

INTERNET OF THINGS	
Filo www.filotrack.com	**Filo** produces and distributes a small device based on Bluetooth technology which makes it possible to use a smartphone to locate any object to which it was previously linked (keys, wallets, purses, etc.).
MANET www.manetmobile.com	**Manet** develops software solutions for the tourism and hospitality sector: a smartphone for customers of hotels and a web dashboard for hotel operators, which hotels can use to provide voice and data connectivity to their guests and manage customers.
RESONANCE www.atooma.com	**Resonance (formerly Atooma)** is a platform that provides IoT developers with instruments to make interconnected objects communicate with each other and activate automatisms based on user behaviour.

INTERNET OF THINGS	
www.snapback.io	**Snapback** makes it possible to interact with mobile devices with no need to look at them or touch them using software that recognises gestures, voice, sound and other commands.

FASHION & DESIGN	
COCONTEST www.cocontest.com	**CoContest** is a platform dedicated the world of interior design in which users - after posting the floorplan of a specific space - can receive a range of renovation project proposals quickly and at a limited cost.
www.drexcode.com	**Drexcode** is a web boutique in which users can rent garments and accessories from the latest collections of the major luxury brands at accessible prices.
www.re-bello.com	**Re-Bello** is a sustainable apparel brand that uses innovative textiles such as eucalyptus, organic cotton and bamboo, which unites focus on captivating design with the continuous search for new materials.

VIRTUAL REALITY	
www.ambiensvr.com	**Ambiens VR** allows engineers and architects to create interactive 3D and VR presentations of their technical designs. Customers can move around freely within the environment and participate in the design process by modifying pre-defined elements.
www.remoriavr.com	**Remoria VR** operates in the field of virtual reality by creating input devices based on low-latency, Bluetooth technology, which make it possible to have a fully immersive 3D experience.

BIG DATA	
www.dynamitick.com	**Dynamitick** provides Dynamic Ticket Pricing solutions for the sports, cinema, theatre, live events and amusement parks industries. Using special algorithms, it is able to calculate the best prices to maximise tickets sold and collections.
www.kpi6.com	**KPI6** is a platform that helps companies in their decision-making processes by guiding them using predictive analysis of data drawn from the main social networks.

ACCELERATORS	
clubAcceleratori www.clubacceleratori.com	**Club Acceleratori** is a project developed and promoted by SiamoSoci, already an LVenture Group partner, in which a network of accelerators and startup incubators work to support investments in innovative ideas.
startupbootcamp FoodTech www.startupbootcamp.org/accelerator/foodtech-rome	**Startupbootcamp Foodtech** is the programme launched by the international group Startupbootcamp in Rome, in which LVenture Group is a partner, dedicated to young businesses pushing innovation in all segments of the food industry, bringing technology to the production of food and drinks, distribution and even restaurant and bar management.

CORPORATE OFFICES

CORPORATE OFFICES

BOARD OF DIRECTORS IN OFFICE UNTIL APPROVAL OF THE 2017 FINANCIAL STATEMENTS

Role	Name and Surname
Chairman	Stefano Pighini
Deputy Chairman and Chief Executive Officer	Luigi Capello
Director	Roberto Magnifico
Director	Valerio Caracciolo
Independent Director	Livia Amidani Aliberti
Independent Director	Claudia Cattani [1]
Independent Director	Maria Augusta Fioruzzi[2]
Independent Director	*Maria Luisa Mosconi*[3]
Independent Director	*Micol Rigo*[4]

BOARD OF STATUTORY AUDITORS IN OFFICE UNTIL APPROVAL OF THE 2018 FINANCIAL STATEMENTS

Role	Name and Surname
Chairman	Carlo Diana
Standing Auditor	Giovanni Crostarosa Guicciardi
Standing Auditor	Benedetta Navarra

INTERNAL CONTROL SYSTEM DIRECTOR
Luigi Capello

CONTROL AND RISK AND RELATED PARTY TRANSACTIONS COMMITTEE
Livia Amidani Aliberti (Chairman)
Claudia Cattani[5]
Maria Luisa Mosconi[1] *, Micol Rigo*[3]

SUPERVISORY BOARD
Bruno Piperno (Chairman)
Cristiano Cavallari
Benedetta Navarra

INDEPENDANT AUDITORS ENGAGED UNTIL APPROVAL OF THE 2021 FINANCIAL STATEMENTS
Baker Tilly Revisa Spa

CORPORATE OFFICER IN CHARGE OF PREPARING THE ACCOUNTING DOCUMENTS
Francesca Bartoli

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[1] Co-opted on 11 November 2016, term of office until the next Shareholders' Meeting.
[2] Co-opted on 28 March 2017
[3] Until the date of resignation 26 April 2016.
[4] Until the date of resignation 31 January 2017.
[5] Appointed on 9 March 2017.

DIRECTORS' REPORT

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DIRECTORS' REPORT

INTRODUCTION

WARNING

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The transactions of EnLabs were attributed to the Financial Statements of LVenture Group, also for tax purposes pursuant to article 172, paragraph 9 of Italian Presidential Decree no. 917 of 22 December 1986, as of, pursuant to art. 2504-bis, paragraph 2 of the Italian Civil Code, ***1 January 2016****, while the merger took effect, pursuant to art. 2504-bis, paragraph 2 of the Italian Civil Code, as of 23 December 2016 for statutory purposes.*

The methodology used to account for the merger by incorporation of EnLabs into LVenture Group is described in ***Note 3*** *of the* ***Notes to the Financial Statements****.*

Aside from the separate data of LVenture Group at 31 December 2015, an additional column marked "Pro-Forma" containing the amounts from the Consolidated Financial Statements at 31 December 2015 has been included to allow for the comparison of the data relating to the year ending at 31 December 2016 with the previous year.

The Directors' Report on operations is based on the Separate Financial Statements of LVenture Group at 31 December 2016, prepared in accordance with the IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the IASB and endorsed by the European Union on the same date, based on the going concern assumption. The IFRSs also include all the revised international accounting standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The Report should be read in conjunction with the Financial Statements and the related Notes, which are an integral part of the 2016 Separate Financial Statements. These documents include the additional disclosures required by CONSOB, based on the measures issued in implementation of article 9 of Italian Legislative Decree 38/2005 (resolutions 15519 and 15520 of 27 July 2006 and communication DEM/6064293 of 28 July 2006), as well as any subsequent financial reporting communications.

Furthermore, in order to provide an Alternative Performance Indicator (API), the portfolio assessment to which reference is typically made is re-calculated applying the post-money value of the startup, after the share capital increase also for those cases in which IFRS 13 is found not to be consistent, so as to represent a portfolio performance minus the conservative effects of IFRS 13. It should be specified that although this business performance measurement criterion is a key to the interpretation of the results not provided by the IAS/IFRS, it must not be considered as replacing those outlined in the principles (see Note 11).

The Separate Financial Statements have been prepared based on the assumption of the Company's ability to continue as a going concern. The Company is not aware of any profit and loss, balance sheet, cash flow or organisational indicators (as defined in paragraph 25 of IAS 1) such as to cast significant doubt on the Company's ability to continue as a going concern. In this regard, please refer to the "Business Outlook" section below.

The Separate Financial Statements were approved by the Board of Directors of LVenture Group on 28 March 2017.

THE IMPACT OF CURRENT MARKET CONDITIONS

THE ITALIAN SCENARIO OF INVESTMENTS IN STARTUPS

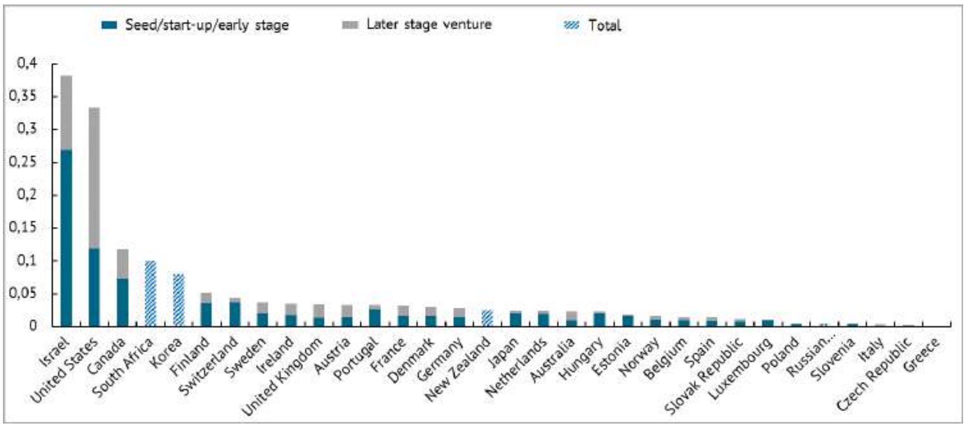
2016 proved to be another positive year for the Italian scenario of investments in startups: according to data presented by the Hi-tech Startup Observatory of the School Of Management at Milan Polytechnic, in 2016 investments in hi-tech startups in Italy amounted to €182 million, up by 24% compared to €147 million[6] *reported in 2015*. Equally significant growth was recorded in terms of volumes: the 215 transactions reported represent growth in excess of 40% compared to the roughly 150 reported last year. "Formal" investments, i.e., those coming from venture capital, corporate venture capital and regional financial companies, represent 55% of total investments (€101 million, up 33% compared to 2015), while "informal" investments, i.e., those coming from family offices, club deals, business angels, equity crowdfunding and direct investments from businesses, account for the remaining 45% (€81 million, up 14% compared to 2015). Although growth is still low in absolute terms, it is even more significant if we add international investments in Italian startups into the mix, which totalled €35 million, bringing the overall figure for 2016 to €217 million.

In addition, the consolidation and systematicity already seen in the 2015 Report as regards the life-cycle of the hi-tech startups financed continues. During the introduction/funding phase, 44 startups received at least €1 million in investments from formal and informal players, marking growth of 25% compared to 2014. In relation to the growth phase, 67 startups posted turnover exceeding €1 million in 2015 (compared to 51 in 2014). As regards the consolidation or exit phase, there are several operations worthy of mention: there were 19 exits based on trade sales (acquisition by consolidated companies) or IPOs (listing) during the year, beyond the 25 exits concluded in total in 2015[7]. *In particular, the analysis shows how verticalities emerge in the startup ecosystem, typically concentrated around traditional Made in Italy sectors (updated with a hi-tech and digital slant) such as Foodtech and Winetech, Fashion and Advanced Textiles (smart materials as well as cutting-edge production technologies) and Digital Tourism; but increasingly frequently, we are witnessing the birth of extremely high potential businesses in the Life Sciences area and, with less frequency, in Cleantech & Energy.*

However, the delay with respect to comparable industrial systems, such the French and the German, remains significant: in Italy, venture capital investments reach only 1/7 of those recorded in Germany and roughly 1/6 of those recorded in France. Spanish venture capital exceeds the value of domestic investments by a few million euros, while the United States remains an outlier, which is difficult and risky to compare with our market. The impact of investments in venture capital on Italian GDP remains lower than the developed country average: today, it represents roughly 0.0028% of GDP[8]*, a value which places the Italian economy in the third-to-last position in the OECD ranking, a slight improvement with respect to 2015, when it was second-to-last.*

Total Venture Capital investments as a percentage of GDP

[6] Milan Polytechnic School of Management, Hi-tech Startup Observatory, Report of November 2016.
[7] Milan Polytechnic School of Management, Hi-tech Startup Observatory, Report of November 2016
[8] OECD, *Entrepreneurship at a Glance*, 2016.



Source: OECD, Entrepreneurship at a Glance, 2016.

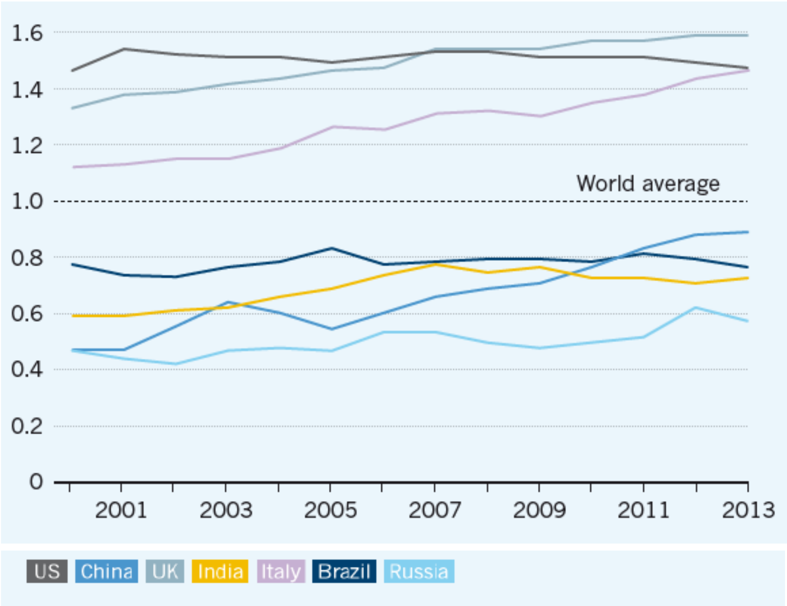
In this regard, the measures taken by the Italian government in its Industry 4.0 plan, designed with a view to driving investments in innovative startups in Italy to €1 billion by the end of 2020, may provide considerable support to decrease the current gap with other European countries: tax leverage, procedural simplification and the involvement of Italian industry are just some of the regulatory tools established which can positively influence the Italian scenario by favouring its development, also with respect to the international scenario, especially in the areas of employment growth and the attraction of foreign capital.

THE ITALIAN OPPORTUNITY

In line with the figures reported above, the innovation and drive of the Italian productive fabric are a unique opportunity now more than ever for both those who are searching for new sources of growth in a global context of stagnation, and for the Italian economy, which, by stimulating its most innovative startups, could find new paths for growth by supporting these businesses. According to the ANVUR Report[9], Italy is growing in terms of scientific research and production. The Report highlights how the quality of the scientific publications of universities and research organisations overall is comparable to that of the main European countries: Italy represents 3.5% of total global publications, with domestic production growing at an average annual rate of 4%. The share of Italian scientific production out of all publications in top-tier journals (identified as those present in the top 5% internationally based on the impact factor of the location of publication) is even higher than the global average. In 2011-2014, the impact was higher than the European Union average and higher than France and Germany, coming in, in Europe, just below Switzerland, the Netherlands, Sweden and the United Kingdom. The United States is just below Italy in terms of average impact, but with much higher values in terms of the share of publications in top-tier journals. In particular, Italy stands out due to its high productivity values if scientific production is compared to spending on research for the public sector and tertiary education as well as the number of active researchers. In terms of the latter, Italian productivity remained constant in 2011-2014, reaching the same levels as France and exceeding those of Germany. The extent of the impact of domestic scientific production is supported by data presented in the survey reported by Nature, shown in the figure below.

Impact of scientific publications at global level

[9] ANVUR, *Rapporto sullo stato del Sistema Universitario e della Ricerca (Report on the status of the University and Research System)*, 2016.



Source: Nature, Scholarly citation impact: SCIVAL/SCOPUS, 2015.

Therefore, Italy has demonstrated that it has:

- top-level human capital;
- a qualified low-cost workforce, ideal for supporting the initial development of young startups;
- excellent know-how, in terms of technology, design and creativity;
- low competition among Venture Capital investors.

The data provided by the Ministry of Economic Development concerning innovative startups enrolled in the special register at the Chamber of Commerce is also of extreme interest: at 31 December 2016, innovative startups numbered 6,745, up by 31% on an annual basis and by 112% compared to the two previous years. Of these, 75% work in the services sector: specifically, 41% are active in the IT services and software sector, 27% in R&D services and professional and technical activities and the remaining 7% fall within the "other corporate services" category. The Italian innovation ecosystem is also growing in terms of human capital. Indeed, in total there are 25,622 partners (an average of 4.12 per startup) and 9,169 employees (3.49 per business), for a total of 34,979 people working in the innovative startup sector, representing growth of 44.8% in the last year alone. It is estimated that the downstream impact on employment hovers around 14,500 FTE (full-time equivalent), with a multiplier between employees hired and freelance collaborators of roughly 6.

Innovative SMEs also show similar performance: indeed, as reported by the Ministry of Economic Development, today there are 434 innovative SMEs in Italy, more than double the number recorded at 30 June 2016, when there were only 204 innovative SMEs registered. As the Ministry of Development notes, the majority are former innovative startups that decided to transfer from one register to another at the Chamber of Commerce.

More than encouraging signs are coming from data on tax incentives on investments in innovative startups, promoted by the tax reform enacted by the government, as seen in the data provided by the Italian Revenue Agency:

- **Natural persons:** 1,408 natural persons invested in 515 startups and on average roughly €24 thousand each, up to a maximum of €1.2 million. Overall, deductions from taxable income for personal income tax (IRPEF) purposes totalled €6.6 million, while in 2013 deductions of nearly €2.9 million were granted;

- **Legal entities:** 256 tax-paying corporations invested in 187 startups and on average €69 thousand each, up to a maximum of €1.4 million. Overall, deductions from taxable income for corporate income tax (IRES) purposes totalled €3.6 million, while in 2013 deductions of nearly €3 million from taxable income for IRES purposes were granted.

Another initiative enacted by the government played a key role in supporting innovation and the growth of innovative startups by helping them to access credit: the Guarantee Fund for SMEs (FGPMI). Indeed, until 31 December 2016, it had authorised 2,313 operations from 1,404 innovative startups. Total funding authorised amounted to €563.8 million, a particularly high figure considering the high risk nature of new businesses and the simultaneous continuing difficulties in terms of access to credit, even for traditional companies.

THE COMPANY'S COMPETITIVE POSITION

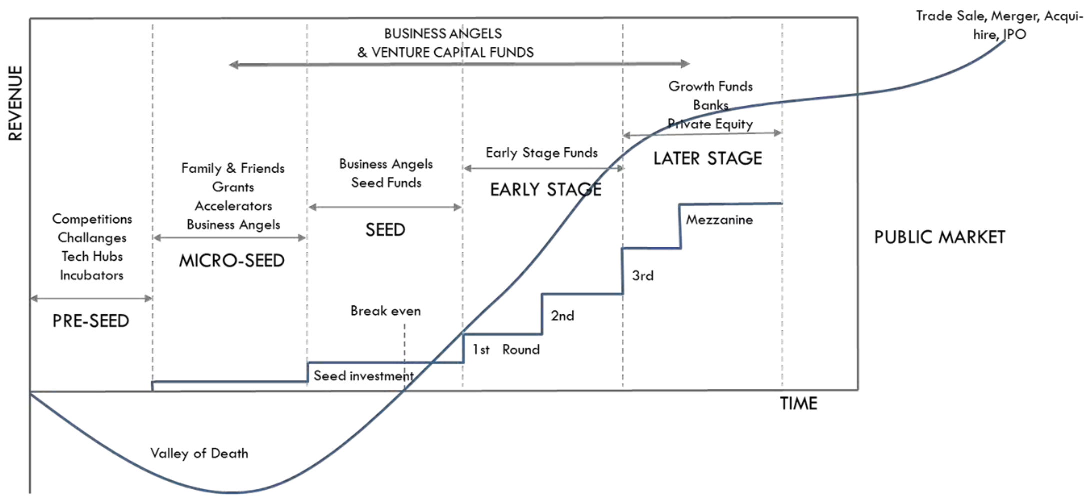
The Company is positioned in the following investment stages:

- Micro Seed, investing up to €80,000 in startups that participate in its Acceleration Programme or in Acceleration Programmes on behalf of Third Parties;
- Seed, investing up to €250,000 in startups that have completed its Acceleration Programme or are identified in the market.

The Company has strategically positioned itself in the very early stages of startup funding (Micro Seed and Seed) in order to make up for the lack of specialised operators in this segment of the Italian market. Integration with the Acceleration Programme makes it possible to follow startup development from the very first phases of the lifecycle, guiding startups towards business models capable of piquing the interest of venture capital operators specialised in the subsequent stages of funding (Early Stage, Series A).

The figure below schematises the startup investment phases, connecting the stage of development in terms of revenues with the type of investment and the venture capital operator involved.

Startup funding cycle



Source: (Cardullo, M. (1999), Technological Entrepreneurship: Enterprise Formation, Financing and Growth, Research Studies Press Ltd., United Kingdom).

Within its sector, the Company stands out due to the following characteristics:

- it operates in a rapidly developing market featuring a limited number of conventional providers of capital, because it requires an entrepreneurial approach to the investment accompanied by high levels of technical competence;

- it invests in initiatives with international ambitions in a sector - internet and digital - with high potential development rates at national and international level;
- it has created an Ecosystem comprising investors, advisors, companies, universities, partners and sponsors for providing startups with the most possible support in their search for new capital and in developing business contacts, with a view to fostering a successful exit;
- it adopts an innovative business model integrating Accelerator and Venture Capital activities with a view to enhancing the potential success rate of startups and minimising investment risks;
- it has a management team made up of serial entrepreneurs with a successful track record and qualified professionals with in-depth knowledge of the Venture Capital industry and digital markets.

CHANGES UNDER WAY AND THE INTERNET INVESTMENT MARKET

Steve Blank[10], successful entrepreneur, serial investor and professor at several top-ranking US universities (Columbia, Haas, Caltech, Berkley), distinguishes between two types of startup, based on scalability, or their capacity to achieve significant growth within a short period of time:

- ***small businesses:*** new businesses with a predominantly local focus, classified as small in terms of turnover and staff numbers;
- ***scalable businesses:*** innovative businesses searching for new business models in new markets, which aim to "scale up" rapidly, in terms of turnover and staff numbers, in the domestic market and in international markets as well.

Our entry into the digital era through the large-scale development and use of the internet has opened businesses up to a global, immediately reachable audience, which has significantly cultivated the growth and development of "scalable" startups. However, these companies need seed capital to begin their operations and be able to approach international markets, and this is where Venture Capital comes in. Venture Capital investors aim to invest, in the form of risk capital, in scalable startups by providing them with the financial resources they need to develop.

In Europe, the Venture Capital investment market has consolidated, reaching €15.7 billion which, historically speaking, surpassed the ceiling of €15 billion reached only in 2014. The most recent *"Venture Pulse"* report prepared by KPMG in collaboration with CB Insights highlighted how 2016 was a unique year for the Venture Capital sector, especially with respect to the results achieved in 2015. Indeed, at global level there was a significant setback (-24%), which reflects on the European market, marking a decline in activities as well as in values invested, on average, of roughly -28% compared to 2015[11].

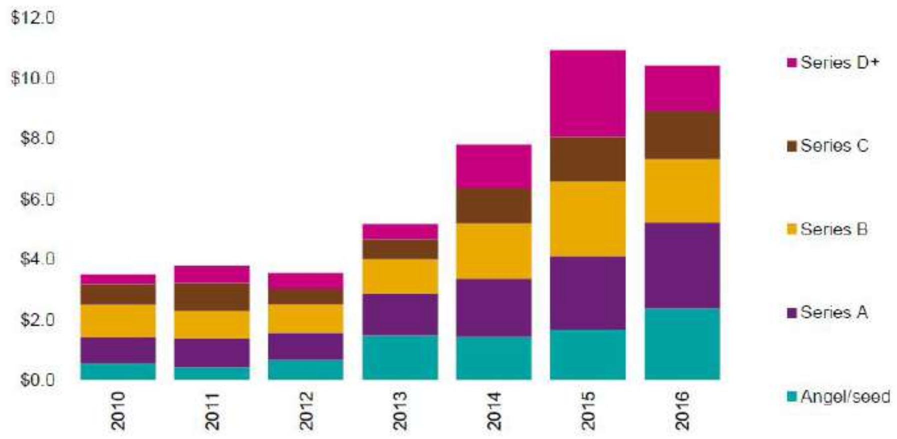
Europe VC Investments (Q1 2011 – Q4 2016)

Source: KPMG/CB Insights, Venture Pulse, 2016.

[10] *Blog post, "What is a startup? First principles."*, https://steveblank.com/2010/01/25/whats-a-startup-first-principles/, 2010.
[11] *KPMG/CB Insights, Venture Pulse, 2016.*

Despite the decline in activities in Europe, data on venture capital investments in seed stage businesses showed growth compared to the previous year in terms of activities (number of operations) as well as value (amount invested). Angel/Seed operations and subsequently Series A operations account for roughly 60% of the activities of the entire European market, as reported in the same KPMG/CB Insights research report.

Investments by stage of development (2010-2016)



Source: KPMG/CB Insights, Venture Pulse, 2016.

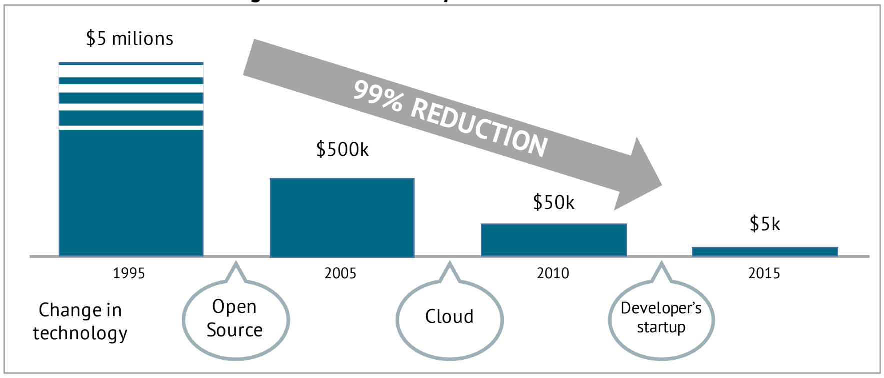
In addition, another interesting figure is seen in the participation of large enterprises and their relative investment divisions, which boosted their activities in Europe by roughly 14%, reaching investments of around $5.5 billion. Corporate Venture Capital activities contributed roughly 17% to overall investments made in 2016, a percentage which has grown significantly compared to the previous year and is the highest value of the last six years, moving against the trend of other countries, and especially the global scenario.

Investments by Corporate Venture Capital operators (2010-2016)

Source: KPMG/CB Insights, Venture Pulse, 2016.

The substantial increase in Venture Capital investments in internet startups and in particular in seed and early stage businesses can be attributed, in particular, to the decline in costs for the launch of new business initiatives because of the advent of the internet.

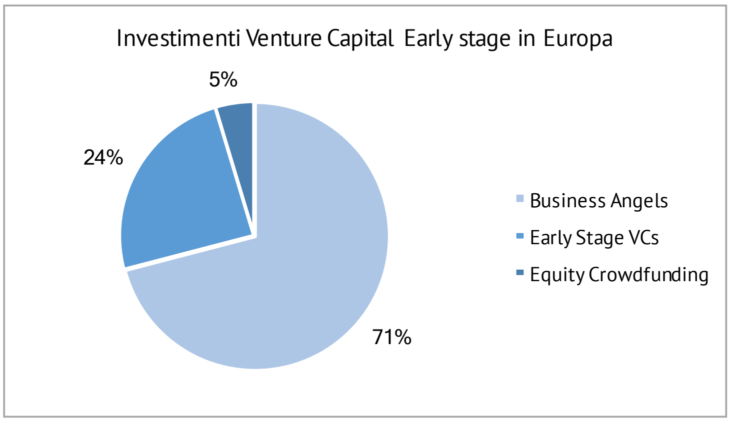
Cost to launch a technological internet startup



Source: Mark Suster for PEHub, It's Morning in Venture Capital, 2015.

The reduction in costs has boosted the number of investments by Business Angels, i.e., private parties with significant available capital who are open to investing in innovative startups. The study conducted by the European Business Angel Network, a network that has extended to 470 associations, in 31 countries, which gather data from roughly 300 thousand private investors, demonstrates that investments by Business Angels in Europe have reached the historical peak of €6.1 billion (out of an estimated total of €8.6 billion overall in the early stage investment segment)[12]. *Private initiative contributed 71%, thanks to the intensification of co-investments with formal operators (Early Stage VCs which accounted for roughly one quarter of all activities) and the use of angel syndicates, methodologies meant to boost the contribution of resources while also decreasing investment risk. Another factor to be taken into consideration is the rapid expansion of equity crowdfunding, which in 2015 accounted for 5% of all activities in the segment.*

Three main areas of early stage investments in Europe



Source: EBAN, Statistics Compendium 2015.

COMPANY OPERATIONS

The majority shareholder of LVenture Group is LV. EN. Holding S.r.l. which, at 31 December 2016, holds **41.75%** of its share capital. Currently, LVenture Group has full decision-making autonomy and is not subject to management and coordination by LV. EN. Holding S.r.l.

[12] *EBAN Statistics Compendium 2015*, 2016.

LVenture Group, with registered office in Rome, is a holding company listed on the MTA market which operates in the Venture Capital sector. The Company invests in digital startups, contributing qualified resources through active investment management ("hands-on" approach). The Company's mission is to generate value for its Shareholders and takes the form of investment in and development of high-potential startups with the goal of achieving capital gains upon exit within the medium/long term.

LVenture Group aims to increase the success rate of startups and mitigate venture capital investment risk through:

a) limited initial investments in startups, working alongside any option rights for the subscription of subsequent share capital increases;
b) broad diversification of the Investment Portfolio;
c) signing of investment agreements meant to protect LVenture Group's investment in startups (such as, for example but not limited to, veto rights on extraordinary operations, liquidation preference and clauses protecting LVenture Group's exit);
d) the creation of important relationships with a high number of investors (Business Angels and Venture Capitalists);
e) support and assistance for startups during the launch phase and the development of the relative business activities.

The Company's business model consists of integration between three key components which bring value added to startups:

- **Accelerator** - startups admitted to the Acceleration Programme (with a duration of 5 months) are physically housed in the Accelerator's spaces, where they are assisted on a daily basis in the development of their initiatives - from conceptualisation of the product or service to the market launch - and monitored in terms of their performance and achievement of targets;
- **Capital** - with Micro Seed investments, LVenture Group provides initial financial resources to the Acceleration Programme startups, which they need to develop their first business metrics, while with Seed investments, it supports startups in a more advanced phase of development; **Ecosystem** - LVenture Group has developed an ideal Ecosystem for the development and growth of its startups, consisting of collaborations and relationships with investors, companies, business and digital economy experts, universities, sponsors and partners.

The ecosystem (developed internally)

These areas are joined by the "***Support Activities***" which include, inter alia, the provision of a series of services and consulting for companies or startups. In particular, reference is made to:

i) the **Open Innovation Program**, which consists of a series of advisory services dedicated to companies in the Incubation/Acceleration Programmes (including vertical programmes);

ii) the leasing of **co-working** spaces;

iii) **Events** organised by the Company meant to create relationships between parties within the Ecosystem by acting as a "sounding board" for their activities.

ACTIVITIES IN 2016

- **Acceleration programmes:** in 2016, two acceleration programmes took place:

  The first began on 1 February 2016 and was concluded with the Investor Day on 23 June 2016. The startups in acceleration were: **Bemyguru, Fitprime (formerly CheckMoov)**, **Crowdbooks**, **Dynamitick**, **Fairbooks**, **Oreegano** and **Babaiola**.

  The second began on 20 June 2016 and was concluded on 17 November 2016. The startups in acceleration were: **AmbiensVR, Direttoo, Manet, Remoria VR** and **Yakkyo**.

- **Investor Day:** Investor Day is the event during which startups that completed the acceleration programme are able to present their results to a qualified audience of investors. Three Investor Days were held in 2016:
  - the first Investor Day was on 21 January 2016, with more than 260 qualified investors and corporate and specialised press representatives;
  - the second Investor Day was on 23 June 2016, with more than 200 qualified investors and corporate and specialised press representatives;
  - the third Investor Day was on 17 November 2016, with more than 250 qualified investors and corporate and specialised press representatives.

- **International Investor Day in Berlin**: internationalisation takes on great strategic importance for LVenture Group as abroad capital and startup valuations are significantly higher than in Italy, therefore offering the opportunity to achieve a potentially significant increase in the value of its investees. Along with its partner Rainmaking Loft, LVenture Group organised two International Investor Days to present itself on the scene in Berlin:
  - the first took place on 29 June 2016: LVenture Group presented eight startups, of which four had completed the LUISS ENLABS acceleration programme (Bemyguru, Crowdbooks, DynamiTick, Oreegano) and four are in the Series A investment phase (CoContest, Nextwin, Tutored, Wineowine);
  - at the second event held on 23 November 2016, four startups were presented that had completed the LUISS ENLABS acceleration programme (Babaiola, Direttoo, Remoria VR, Yakkyo), three that were in the Series A investment phase (Atooma, Filo, Majeeko) and three that had been selected by Rainmaking Loft.

- **Financial presentations:** in the course of 2016, the Company met with the Italian and international financial community multiple times:
  - on 1 March 2016, at Borsa Italiana's registered office, it met with the financial community to describe its 2016-2019 business plan;
  - on 23 September 2016 in Lugano the Company was presented during the Lugano Small & Mid Cap Investor Day, illustrating its business model, economic and financial results, growth

strategy and outlook;

- on 29 November 2016 in Milan the Company was presented during the Small Cap Conference, an event for institutional investors, illustrating its business model, economic and financial results, growth strategy and outlook.

* **Growth Festival:** on 17-19 March 2016, the first phase of the Growth Festival took place, a project managed and carried out by Future Concept Lab along with LUISS ENLABS, and dedicated to topics of happy growth with meetings, workshops and roundtable discussions.
* **BNP Paribas International Hackathon 2016**: on 17-19 June 2016, the Accelerator hosted the second edition, which saw roughly 100 startups step up to the challenge simultaneously in Rome, San Francisco, London, Paris, Brussels, Berlin, Warsaw and Istanbul, to develop customer-oriented projects with the aim of improving the customer journey in several specific FinTech areas. This was the first event held at the Accelerator's new location.
* **Visits from embassies:** these visits are meant to promote Italian business initiatives abroad. In 2016, delegations from the embassies of Israel, the Netherlands, Germany, France, Poland and Angola visited the Accelerator.
* **Visits from international representatives:** in 2016, the Accelerator hosted numerous extremely high profile international visitors, including:
    - **Kyla Fullenwider**, serial entrepreneur and Presidential Innovation Fellow at the White House;
    - **Luca Maestri**, CFO at Apple, who visited the Accelerator two times: the first on 22 January 2016 when he met with the management of LVenture Group and the startup Qurami; the second on 4 November 2016, on the sidelines of an institutional visit of former Luiss Guido Carli alumni, when he met with several startups in the portfolio during a closed-door meeting;
    - **Mark Zuckerberg**, during his visit to Rome, when 24 LUISS ENLABS startups had the opportunity to participate in a private event with the Facebook CEO at Luiss Guido Carli University.
* **Domestic and international agreements and partnerships:**
    - in January, the Company announced a partnership with **Rainmaking Loft Berlin** (RML), an international hub in the startup and co-working space sector, meant to promote the companies in the LVenture Group portfolio in the renowned German startup ecosystem;
    - in January, the LUISS ENLABS Accelerator joined the **Global Accelerators Network** (GAN), which currently includes 75 of the best accelerators and organisations in the startup sector on a global scale, including TechStars, MuckerLab, Startupbootcamp and Flat6Labs, which overall have offices in 125 locations worldwide;
    - in February, **Facebook** decided to support 5 startups in the LVenture Group portfolio for the FbStart programme, meant to guide young companies towards a strategic use of the platform to grow their business. With the first live event (FbStart tour) in Italy dedicated to the FbStart programme, which took place at the company's registered office, Facebook initiated a 3-month process of online coaching of the selected startups to help them to exploit of all of the platform's potential.
    - in May, LVenture Group announced a partnership with **Startupbootcamp Foodtech**, a global acceleration programme in the foodtech sector with registered office in Rome, launched by the global accelerator network Startupbootcamp. For the Company, this is a strategic decision to enter into alliances at international level, collaborate with top-tier partners in Italy and access an attractive deal flow;
    - in July, LVenture Group entered into a partnership with **Cisco Italia**, a global leader in the IT

sector, **Infocert** and **NTT Data** for the launch of the "Security Challenge" Programme to create and promote the growth of startups specialised in online security through an incubation and acceleration phase;

- in October, in collaboration with **Google**, LVenture Group launched the "Android Factory 4.0" to stimulate the creation of new startups which, through the potential of the Android operating system, contribute to the spread of innovative Made in Italy products and become competitive players in industry 4.0 at global level.

CORPORATE SOCIAL RESPONSIBILITY

In LVenture Group, Corporate Social Responsibility is becoming an increasingly foundational element of business culture. Therefore, the Company launched 3 special projects capable of generating beneficial impacts on the Ecosystem and on the community overall:

1) **LOVEITALY**: a non-profit association that uses a crowdfunding platform to fund the restoration of the small treasures of Italian cultural heritage;
2) **HITALK**: the inspirational event sponsored by LVenture Group enhanced its programming with 3 special editions that attracted significant attention from the public and the press alike: HItalk WoW, dedicated to the excellence of women in all fields; HItalk Superdigital, meant to tell the story of the experience of several leaders of the digital world; HItalk Cinema, dedicated to Italian excellence behind the scenes of filmmaking;
3) **WAKEUPROMA:** in November 2015, LUISS ENLABS launched a partnership with the Retake Roma volunteer movement for the organisation of #wakeupRoma: a day of citizen mobilisation to reawaken the capital city's civic pride through a practical and symbolic action of cleaning up and restoring the urban splendour of four Roman piazzas. The initiative took place on 12 March 2016 and saw the participation of more than 3,000 citizens.

THE CODE OF ETHICS

LVenture Group's Code of Ethics, adopted in 2013, is the instrument that makes it possible to operate and enter into relationships with stakeholders based on the fundamental pillars that characterise its identity and its very nature. Honesty, integrity, confidentiality, transparency and trustworthiness in relationships, with respect to all stakeholders, are the essential and fundamental principles of the Company, and therefore are incorporated within its Code of Ethics.

SIGNIFICANT EVENTS AND TRANSACTIONS IN THE PERIOD

SHARE CAPITAL INCREASE

On **2 February 2016**, the LVenture Group Extraordinary Shareholders' Meeting passed resolutions:

i) to approve the proposed share capital increase for a maximum of €4,990,000, inclusive of any share premium, in tranches and against payment, through the issue of ordinary dematerialised shares, with no nominal value, with the same characteristics as those outstanding and with regular entitlement, to be offered under option to the Company's Shareholders pursuant to art. 2441, paragraph 1 of the Italian Civil Code;
ii) to schedule the final deadline of 31 December 2016 for executing the above-mentioned share capital increase and to establish, pursuant to art. 2439, paragraph 2, of the Italian Civil Code, that if not fully subscribed the share capital increase would be limited to the amount resulting from the subscriptions made by that deadline;
iii) to grant to the Board of Directors all of the most extensive powers to:
    a. define, near the launch of the offer under option, the final amount of the share capital increase;
    b. determine - as a result of what is set forth under point a) - the number of newly issued shares

and the issue price (inclusive of any share premium), taking into account, inter alia, in order to set the latter, the market conditions in general and the security performance, and considering market practice for similar operations;

c. determine the timing for the execution of the share capital increase resolution, in particular to launch the offer of rights under option, as well as the subsequent offer in the stock exchange of any rights that remain unopted at the end of the subscription period, in keeping with the final deadline of 31 December 2016.

On **14 June 2016**, the Company's Board of Directors approved the final terms of this increase (the "Offer under Option"), passing a resolution:

(i) to increase the share capital, against payment and in tranches, for a maximum of €4,987,451.39 with the issue of up to 9,741,116 new ordinary shares with no nominal value and with regular entitlement (the "New Shares"), to be offered under option to the Shareholders at a price per share of €0.512 (of which €0.256 for the share premium); the Offer under Option is addressed to all holders of the Company's ordinary shares, in proportion with the investment held by each, with a subscription ratio of 11 New Shares for every 20 LVenture Group ordinary shares held;

(ii) that the option rights may be exercised between 20 June 2016 and 7 July 2016 (inclusive) (the "Option Period") and that the same rights may be traded in the stock exchange in the period between 20 June 2016 and 1 July 2016 (inclusive).

The offer is promoted exclusively in the Italian market and is aimed, without distinction and under equal conditions, at all LVenture Group Shareholders with no limitation or exclusion of the option right.

On **16 June 2016**, CONSOB approved the Prospectus relating to the admission to trading on the MTA market organised and managed by Borsa Italiana S.p.A. ("MTA").

The offer under option period began on **20 June 2016** and was concluded on **19 July 2016**: overall, at the end of the Offer Period and the Stock Exchange Offer, 14,343,444 option rights were exercised and therefore 7,888,894 New Shares were subscribed, equal to roughly 81% of all New Shares, for an equivalent value of €4,039,114.

The majority shareholder LV.EN. Holding S.r.l. subscribed 3,515,626 New Shares, equal to 44.56% of all New Shares subscribed.

The certification that the share capital increase had been completed pursuant to article 2444 of the Italian Civil Code was filed with the Rome Business Register on 27 July 2016.

RESIGNATION OF A DIRECTOR, CO-OPTING OF A DIRECTOR AND APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

On **26 April 2016**, Ms Maria Luisa Mosconi, independent director of the Board of Directors and member of the Control and Risk and Related Party Transactions Committee, resigned.

On **29 April 2016**, the LVenture Group Shareholders' Meeting held on second call approved the 2015 Financial Statements and appointed the Board of Statutory Auditors for the 2016-2018 period, which now consists of: Carlo Diana – Chairman, Benedetta Navarra – Standing Auditor, Giovanni Crostarosa Guicciardi – Standing Auditor, Emanuela De Marco – Alternate Auditor and Cosimo Frangioso – Alternate Auditor. All members of the Board of Statutory Auditors were taken from the only list submitted by the majority shareholder, LV.EN. Holding S.r.l., which at that date held 40.09% of the share capital. The Shareholders' Meeting also unanimously approved the remuneration of the Board of Statutory Auditors.

On **11 November 2016**, Ms Claudia Cattani, was co-opted as independent director of the Board of Directors. The appointment of Ms Cattani will be submitted to the next Shareholders' Meeting for approval.

OTHER EVENTS AND TRANSACTIONS

Effective as of **25 May 2016**, the engagement of specialist was assigned to Banca Finnat Euramerica

S.p.A. for a period of one year, renewable upon expiry by agreement between the parties. The Specialist will continuously present trading book purchase and sale proposals in accordance with the methods set forth in the Regulations of the Italian Stock Exchange. In addition, the Specialist will support the management with activities intended for institutional investors and the financial community: in that context, the "coverage" of the security by the Bank's Research Department was also guaranteed; on 9 May, an initial "equity research" report was published on the security, which will be subject to regular updates by analysts during important corporate events.

On **1 June 2016**, an investment agreement was entered into (the "Agreement") by Luigi Capello, Myung Ja Kwon, Giovanni Gazzola, Meta Group S.r.l., Compagnie de l'Occident pour la Finance et l'Industrie S.A., Valerio Caracciolo, Marco Stefano Caracciolo, Giovanni Carrara, Giuseppe Colombo Fondrieschi and Davide Rimoldi, relating to the shares of LV.EN. Holding S.r.l., which holds a controlling interest in LVenture Group. The Agreement contains clauses that restrict the transfer of LV.EN. Holding shares pursuant to art. 122, paragraph 5, letter b) of the Consolidated Finance Act, as well as clauses which provide for their purchase pursuant to art. 122, paragraph 5, letter c) of the Consolidated Finance Act (the "Shareholders' Agreements"). Please note that the Agreement does not concern the Company and its governance. The Shareholders' Agreements last for three years and, therefore, until 1 June 2019, and are deemed automatically renewed for an equal period of time if not cancelled by at least one of the LV.EN. Holding shareholders. In compliance with legal and regulatory provisions, copies of the Shareholders' Agreements laid out in the Agreement were filed on 1 June 2016 with the Rome Business Register and an extract of them is available on the Company's website.

In 2012, EnLabs entered into a joint venture agreement with Luiss Guido Carli for the management of spaces within Termini Railway Station in Rome, of roughly 1,830 m2 (including external space), which had housed the startups participating in the Acceleration Programme. Upon conclusion between Grandi Stazioni S.p.A. and the Company of the lease agreement on the New Spaces in Termini Station in Rome, EnLabs and Luiss Guido Carli renegotiated the terms of the previous collaboration agreement, entering into a new agreement on **1 June 2016**.
The new agreement, replacing the previous one, envisages, partially in line with the previous agreement, inter alia:

- co-branding between EnLabs and Luiss Guido Carli in "*LUISS ENLABS – the startup factory*";
- the organisation of Accelerator promotional activities with associations of students and graduates;
- support for the Accelerator in terms of know-how, communications and relationships with institutions and with investors;
- the use of spaces for activities linked to the University.

The contract duration is 6 years, with the possibility for Luiss Guido Carli to withdraw from the Agreement after the third year by providing advance notice of 12 months. The withdrawal shall in any event take effect 12 months after the receipt of the withdrawal notice from Luiss Guido Carli. The agreement was transferred to the Company following the merger by incorporation of EnLabs into LVenture Group.

On **1 June 2016**, the Company signed an agreement to lease office spaces in Termini Station in Rome, of roughly 3,500 m2 (5,000 m2 including external spaces) for its new space, located in the historical wing of Termini Station at Via Marsala 29H.
The Lease Agreement envisages, inter alia:

- a duration, pursuant to law no. 392/78, equal to 6 years + 6 years;
- a rental fee in annual progressive instalments;
- that the Company will take responsibility for a portion of the New Space renovation costs;
- the Company's provision of a bank guarantee.

On **2-6 June 2016**, the Company's offices were moved to the new spaces and on **30 June 2016**, the transfer of the registered office to that address was completed. On 8 July 2016, the new office was inaugurated with the presence of Confindustria President Vincenzo Boccia, Luiss Guido Carli President Emma Marcegaglia, Lazio Region President Nicola Zingaretti, representatives of our various partners and the participation of roughly 500 guests.

On **28 September 2016**, DCI S.r.l., an Italian company with registered office in Rome (RM), subscribed a share of the Share Capital Increase pursuant to the Investment Agreement entered into by the shareholders of the company LV.EN. Holding S.r.l. on 1 June 2016. As of the date of the above-mentioned subscription, DCL S.r.l. became a shareholder of LV.EN. Holding and, for the purpose of the application of the Shareholders' Agreements, DCI S.r.l. is classified as an Investor.

Please note that the Subscription entailed exclusively an amendment of the parties participating in the Shareholders' Agreement, with the addition of Collalto to the group of parties to the agreement.

The Shareholders' Agreements thus amended were filed with the Rome Business Register on 3 October 2016 and, on the same date, an extract of them was published on the Company's website.

MERGER BY INCORPORATION OF ENLABS S.R.L. INTO LVENTURE GROUP

On **20 December 2016**, the deed of merger by incorporation of EnLabs into LVenture Group was entered into effective for statutory purposes as of 23 December 2016.

The operation should result in a corporate reorganisation, which should give rise, inter alia, to greater flexibility in internal processes, a simplification of the investment chain structure and the optimisation of the management of resources and the economic/cash flows arising from activities which are currently spread out across two Companies.

These operating purposes of the merger are combined with some not insignificant synergies deriving from the elimination of corporate and administrative duplications and overlaps, resulting in a limitation of overhead costs due to the conduct of business activities through a single company instead of the current two.

The transactions of EnLabs were attributed to the Financial Statements of LVenture Group, also for tax purposes pursuant to article 172, paragraph 9 of Italian Presidential Decree no. 917 of 22 December 1986, as of, pursuant to art. 2504-bis, paragraph 2 of the Italian Civil Code, **1 January 2016**, while the merger took effect, pursuant to art. 2504-bis, paragraph 2 of the Italian Civil Code, as of **23 December 2016** for statutory purposes.

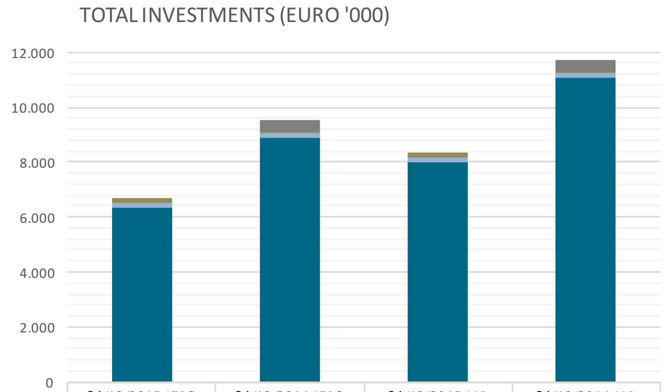
As a result, LVenture Group took over full ownership of all assets and liabilities and all relationships, including procedural, of the absorbed company EnLabs, and all of its claims, actions and rights, as well as all obligations, commitments and liabilities of any nature whatsoever, taking on the responsibility of settling all liabilities without distinction at the agreed maturities and under the agreed conditions.

RESULTS IN 2016

2016 was a significant year of transition for the Company, which focused on:

* the **reinforcement of the Company** by means of the July 2016 Share Capital Increase and the merger with the subsidiary EnLabs at year-end;
* a **drive for growth** of the business through the transfer in June 2016 to premises which will make it possible to accommodate more startups and physically grow the Ecosystem;
* the **streamlining of the core business** of the Company by eliminating business areas that sap energy from the primary objective and strengthening the team in the necessary areas.

The Company has maintained its focus on investments in 2016 using a range of instruments (direct investment in the capital of startups, special type of convertible notes, convertible or indirect investments through ZMV), which are therefore shown in various items in the financial statements. The total investments made by the Company valued by applying IFRS as well as the Alternative Performance Indicator are shown below to enable the reader to appreciate the growth in investments between 31 December 2015 and 31 December 2016. The individual categories are discussed separately and a complete disclosure is provided on the two valuation methods (IFRS and API) in the following paragraphs as well as in the Notes.



	31/12/2015 IFRS	31/12/2016 IFRS	31/12/2015 IAP	31/12/2016 IAP
Totale	6.645	9.469	8.300	11.675
Participatory financial instruments	0	330	0	330
Convetibles	127	63	127	63
Indirect investments (through ZMV)	175	175	175	175
Investments in startups	6.343	8.901	7.998	11.107

In 2016, the Company made microseed investments relating to the Acceleration Programmes, follow-ons through participation in share capital increases in startups already accelerated and seed investments through participation in share capital increases of startups not accelerated by the Company. In addition, the Company also invested through special type of convertible notes (PFI). The investments for 2016 are summarised below:

(€ thousands)	Programme and year of Acceleration	% Investment at 31-Dec-2016	Microseed	Follow-on seed	Seed	TOTAL
Startup						
Soundreef	ID 2011	11.46%	0	50	0	50
Cocontest Inc	P 2 - 2012	10.69%	0	46	0	46
Le Cicogne	P 3 - 2013	14.27%	0	25	0	25
Wineowine	P 4 - 2013	15.94%	0	100	0	100
Moovenda	P 6 - 2015	13.85%	0	122	0	122
KaraokeOne	P 7 - 2015	16.58%	12	150	0	162
KPI6	P 7 - 2015	16.03%	12	150	0	162
ACDQ srl - Dynamitick	P 8 - 2016	11.53%	80	75	0	155
Babaiola	P 8 - 2016	9.35%	80	20	0	100
Bemyguru	P 8 - 2016	PFI	80	0	0	80
Fairbooks	P 8 - 2016	PFI	95	0	0	95
FitPrime - Checkmoov srl	P 8 - 2016	13.56%	80	100	0	180
Lexiqa	P 8 - 2016	5.00%	15	0	0	15
Manet Mobile Solutions	P 8 - 2016	7.34%	100	0	0	100
N2O srl - Crowdbooks - LIQUIDATED	P 8 - 2016	PFI	80	0	0	80
Oreegano	P 8 - 2016	PFI	85	0	0	85
Ambiens VR srl	P 9 - 2016	PFI	80	0	0	80
Donapp srl	P 9 - 2016	PFI	50	0	0	50
GODIRETTI srl	P 9 - 2016	PFI	80	0	0	80
Remoria VR srl	P 9 - 2016	12.55%	80	100	0	180
Yakkyo srl	P 9 - 2016	PFI	80	0	0	80

(€ thousands)	Programme and year of Acceleration	% Investment at 31-Dec-2016	Microseed	Follow-on seed	Seed	TOTAL
Other investments						
Startup Bootcamp FoodTech	ID 2016	12.30%	0	0	60	60
Club Acceleratori	ID 2016	3.03%	0	0	215	215
Total			**1,089**	**938**	**275**	**2,302**
no. of transactions			***16***	***11***	***2***	***29***

The details of the transactions concluded in 2016 are provided below:

- *VIII Acceleration Programme* for €600 thousand: *Babaiola, BeMyGuru, CheckMoov, Crowdbooks, Dynamitick, Fairbooks, Oreegano*. Disbursement of €80 thousand for each startup with the exception of Babaiola (€100 thousand), Fairbooks (€95 thousand) and Oreegano (€85 thousand);
- *IX Acceleration Programme* for €370 thousand: *Ambiens VR, Direttoo, DonApp, Yakkyo, Remoria VR*. Disbursement of €80 thousand for each startup with the exception of DonApp (€50 thousand);
- *CheckMoov*: investment of €100 thousand;
- *CoContest Inc:* investment in convertible instruments for €46 thousand and conversion into capital;
- *Dynamitick:* investment of €75 thousand;
- *Karaoke One and KPI6*: investment of €162 thousand;
- *Le Cicogne*: investment of €25 thousand;
- *Lexiqa:* investment of €15 thousand;
- *Manet* participated in the IX Acceleration Programme with a larger investment than the other startups (€350 thousand, of which €100 thousand from LVenture Group);
- *Moovenda*: investment of €121 thousand;
- *Remoria*: investment of €100 thousand;
- *Soundreef*: investment of €50 thousand;
- *wineOwine*: investment of €100 thousand.

Other transactions on startups in the portfolio carried out by third-party investors in which the Company did not participate:

- Qurami: investment of €320 thousand;
- Interactive Project: investment of €1.3 million;
- Drexcode: convertible shareholder loan of €140 thousand.

Club Acceleratori – The investment was made in Club Acceleratori, a vehicle promoted by SiamoSoci which invests in startups that complete various accelerator programmes. The agreements envisage that, for the investment in a startup by LVenture Group, Club Acceleratori will invest 5 times the amount contributed by the Company. During January 2016, Club Acceleratori invested a total of €1 million in the startups Brave Potions, Moovenda, Nextwin, Majeeko, Verticomics and Voverc.

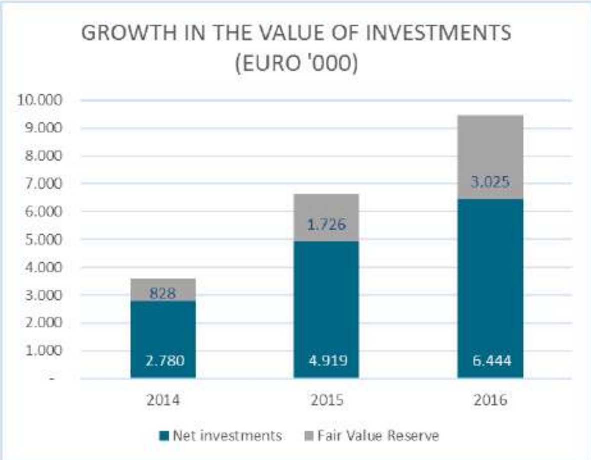
StartupBootCamp Italy (also referred to as "SBCI") is a vehicle established to organise and manage an acceleration programme in Italy of the Startup Bootcamp Global global network of accelerators, which has programmes in Amsterdam, Berlin, Copenhagen, Eindhoven, Istanbul, London, Barcelona, Rome and Singapore. Since 2010, the year in which it was founded, Startup Bootcamp Global has accelerated 241 startups, of which 71% continued to receive investments after their participation in the programme.
The Programme based in Rome has a vertical focus on the foodtech and traveltech sectors. SBCI is the

holder of the exclusive "Startup Bootcamp" trademark, obtained through an Affiliation Programme, the agreement for which establishes the methods for the organisation and management of the Programme that will be carried out by exploiting all best practices and the network of Startup Bootcamp Global.
SBCI will organise 3 Acceleration Programmes in the coming 3 years (one per year). The first began in November 2016, will last for 3 months and will be focused on foodtech.
To date, SBCI has gathered investment commitments totalling €1,230 million (the target is to reach €1.5 million), which will be disbursed in 3 years. LVenture Group has a commitment of €150 thousand, which will be disbursed in the upcoming 3 years in the following proportions:

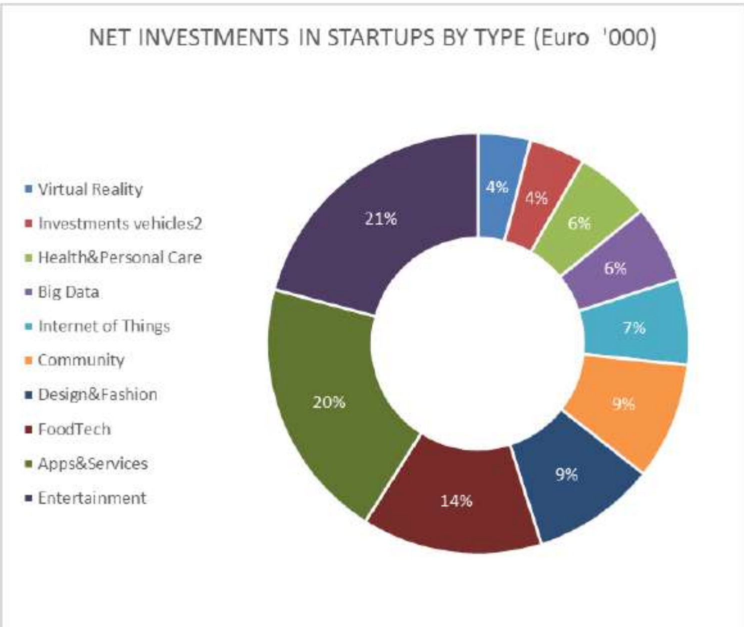
- 2016: €60 thousand: disbursed
- 2017: €45 thousand to be disbursed in 2 tranches between March and September
- 2018: 4 €45 thousand.

In addition, LVenture Group defined an agreement with SBCI based on which it undertakes to manage, over the course of 3 years, all communications and event promotion (Demo Day) activities for consideration of €15 thousand per year.

In 2016, the portfolio startups completed new fundraising transactions with rising post-money valuations, in all cases, with respect to the most recent valuation in the financial statements. This benefitted the Company's fair value measurement of the portfolio. The Notes specify the portfolio valuation methodology, while the figure to the right illustrates startup portfolio growth, highlighting the contribution of net investments and that of the increase in fair value measurements.



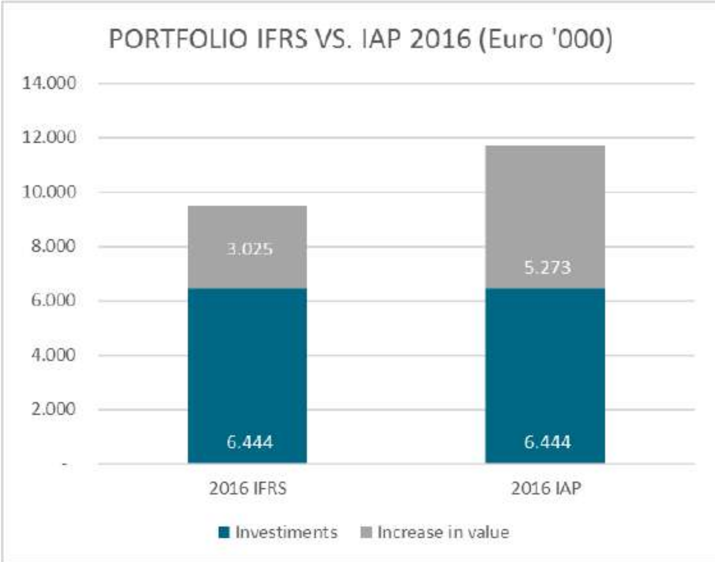
From 2013 to 31 December 2016, the Company invested €6,444 thousand in startups, net of write-offs, while taking care to diversify types of startups. The figure shows the diversification of the Company's overall investments.



In 2016, there were 6 write-offs recognised in the income statement for a total of €725 thousand.

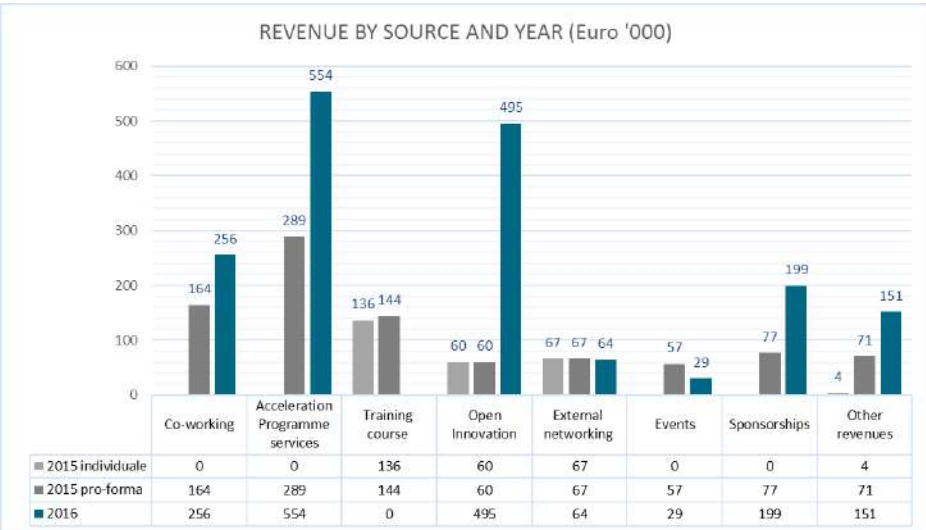
The IFRS valuation of the Portfolio must necessarily follow the rules imposed by IFRS/IAS, but often this does not make it possible to show stakeholders actual Portfolio performance. Therefore, the Company provides an Alternative Performance Indicator (API) calculated by applying the post-money value of the startup after the latest share capital increase. It should be specified that although this business performance measurement criterion is a key to the interpretation of the results alternative to IAS/IFRS, it must not be considered as replacing them.

Note 11 provides details on the two valuations; the figure shows the comparison of results between the two valuation methods.



REVENUES

For 2016, revenues totalled €1,749 thousand, with growth of 88% compared to pro-forma revenues in the previous year.

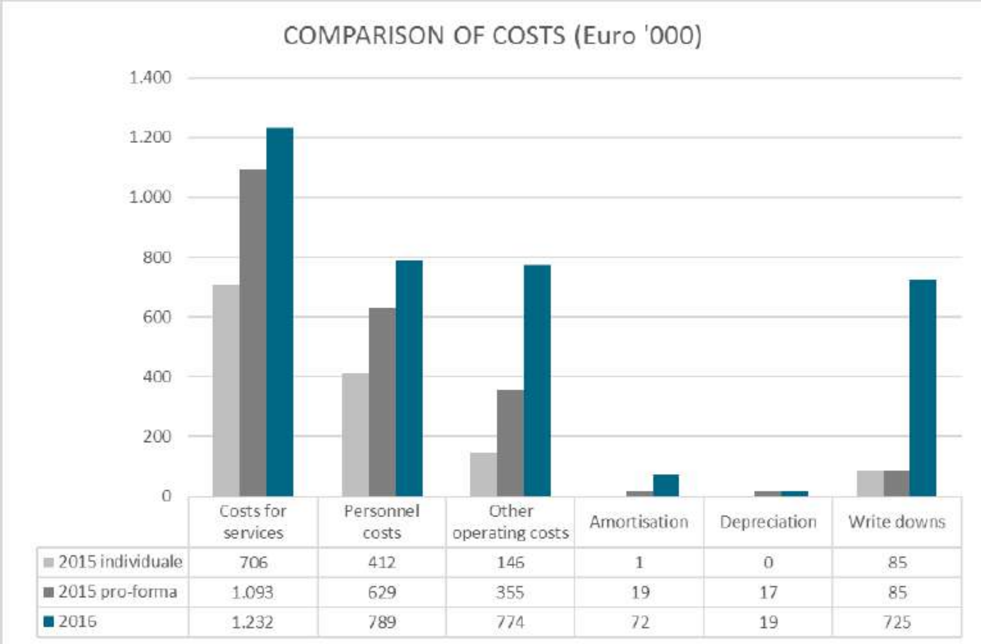


	Co-working	Acceleration Programme services	Training course	Open Innovation	External networking	Events	Sponsorships	Other revenues
2015 individuale	0	0	136	60	67	0	0	4
2015 pro-forma	164	289	144	60	67	57	77	71
2016	256	554	0	495	64	29	199	151

The growth in Acceleration Programmes, the Company's most important business line, is particularly notable. Revenues relating to co-working are stable (the move to the new spaces took place in the initial days of June). Open Innovation revenues are not comparable with the previous year, as this new business line was launched in 2016.

OPERATING RESULT

The Operating result of 2016 is a loss of €1,862 thousand (loss of €1,269 thousand pro-forma 2015).



Please recall that in its current configuration, the Company is very young, and strengthening the organisational structure, also in terms of resources used, is a continuous process that has not yet reached an optimal point.

NET FINANCIAL POSITION AND CASH FLOW TRENDS

The net financial position calculated in compliance with what is set forth with respect to net financial debt in paragraph 127 of the CESR/05-054b recommendations implementing EC Regulation 809/2004, and in line with the Consob provisions of 28 July 2006, is included in the Notes. The table below shows the main data relating to the net financial position at 31 December 2016 and 31 December 2015.

At 31 December 2016, the Net Financial Position is positive in the total amount of €932 thousand.

(€ thousands)	31-Dec-16	31-Dec-15	31-Dec-15 Pro-Forma	2016 vs. 2015			
					%	Pro-Forma	Pro-Forma %
Net fixed assets	9,501	7,382	6,586	2,119	29%	2,915	44%
Operating net working capital	-255	-63	-45	-192	305%	-210	467%
Cash flows from financing activities	689	0	476	689	n.d.	213	45%
Employee benefits - severance indemnity	0	0	0	0	0%	0	0%
Net invested capital	**9,935**	**7,319**	**7,017**	**2,616**	**36%**	**2,918**	**42%**
Financed by:							
Own funds	10,867	8,182	7,673	2,685	33%	3,194	42%
Net Financial Debt	**-932**	**-863**	**-656**	**-69**	**8%**	**-276**	**42%**
of which medium/long-term	-656	0	-446	-656	n.d.	-210	47%
Debt/Equity Ratio	*0.06*	*0.00*	*0.06*				
Net financial position/net profit (loss) ratio	*0.49*	*0.80*	*0.53*				

With reference to the financial position at 31 December 2016, net invested capital rose from €7,319 thousand at 31 December 2015 to €9,935 thousand at 31 December 2016, marking a net increase of €2,616 thousand. This increase is the net effect of the increase of €2,119 thousand in the item "Net fixed assets", due to greater investments made in startups during the year, the decrease of €192 thousand in the item "Net working capital" due to the trend in current receivables and payables during the reference year and the increase of €689 thousand in "Cash flows from financing activities". At 31 December 2016, there were payable items to Related Parties of €29 thousand.

The item "Own funds" rose by €2,685 thousand in 2016, following the share capital increase in July 2016, the recognition of the consolidated result for the year and the increase in the fair value reserve.

"Net financial debt", represented by cash and cash equivalents in bank deposits and credit/debt lines with financial institutions, went from €863 thousand at 31 December 2015 to €932 thousand at 31 December 2016; the decline of €69 thousand relates to the net balance between outflows of resources for investments in startups and the Company's ordinary operations.

At 31 December 2016, the Company had a payable bank exposure of €656 thousand for two unsecured mortgage loans received from Banca Popolare di Sondrio and Banca Intesa SanPaolo. The Company is up to date with its payments of instalments to the two banks.

CASH FLOW STATEMENT *(€ thousands)*	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Net profit (loss)	**-1,899**	**-1,079**	**-1,234**
Non-monetary items	648	87	80
Cash Flow	**-1,251**	**-992**	**-1,154**
Change in operating NWC	287	54	-33
Operating cash flow	**-964**	**-938**	**-1,187**
Cash flow from (used in) investment activities	-3,596	-2,103	-2,148
Cash flow from (used in) financing activities	5,318	-93	366
Free Cash Flow obtained (used)	**758**	**-3,134**	**-2,969**
Opening net cash and cash equivalents	863	3,997	4,102
Closing net cash and cash equivalents	1,621	863	1,132
Change in net cash and cash equivalents	**758**	**-3,134**	**-2,970**

The operating cash flow was -€964 thousand; the cash flow used in investment activities was up to €3,596 thousand in 2016. In 2016, the positive free cash flow of €758 thousand was impacted primarily by the positive effect of the share capital increase.

FINANCIAL RISK DISCLOSURE

The disclosure on financial risks required under art. 2428 of the Italian Civil Code is provided in Note 8.

RESEARCH AND DEVELOPMENT

Due to the nature of the company at 31 December 2016, no research and development was carried out pursuant to art. 2428, paragraph 2, number 1 of the Italian Civil Code.

INFORMATION ON THE SHARE CAPITAL

COMPANY SHARES

At 31 December 2016, the share capital of LVenture Group is broken down into 25,600,014 ordinary shares with no nominal value, all representative of the same portion of the share capital, as set forth in article 5 of the Articles of Association; each ordinary share gives the right to one vote in the Company's ordinary and extraordinary shareholders' meetings.

TREASURY SHARES AND SHARES OF HOLDING COMPANIES

The Company does not directly and/or indirectly hold shares of LV. EN. Holding S.r.l. LVenture Group has no treasury shares in its portfolio.

CORPORATE GOVERNANCE

THE GOVERNANCE MODEL

The Company's corporate governance is based on the traditional "Latin model" system. The corporate bodies are:

- the Shareholders' Meeting, responsible for resolving in ordinary and extraordinary session on the matters placed under its responsibility by the law or the Articles of Association;
- the Board of Directors, vested with the most extensive powers for the ordinary and extraordinary management of the Company, with no limitation, with the right to carry out all deeds it deems appropriate for the enactment and achievement of the corporate purpose, excluding only those which the law places under the responsibility of the shareholders' meeting;
- the Board of Statutory Auditors, which by law is responsible for supervising i) observance of the law and the Articles of Association and compliance with the principles of proper management; ii) the adequacy of the organisational structure for the aspects within its remit, its internal control and risk management system and the administrative/accounting system, as well as the reliability of the latter to properly represent operational transactions; iii) the adequacy of the instructions provided in relation to the information to be provided to meet communication obligations; iv) the methods for actual implementation of the corporate governance rules laid out by the Corporate Governance Code for listed companies, which the Company follows. Italian Legislative Decree no. 39/2010 assigns the Board of Statutory Auditors the duty of supervising, in particular, the financial reporting process, the effectiveness of the internal control, internal audit, if applicable, and risk management systems, as well as the independent audit of the annual and consolidated accounts and the independence of the independent Auditors.

In addition to the corporate bodies, there is also a Corporate officer in charge of preparing the accounting documents.

The Board of Directors in turn has established just one board committee: the Control and Risk and Related Party Transactions Committee. The latter is assigned, inter alia, the role and relevant responsibilities which the Regulation on related party transactions, adopted by CONSOB with resolution no. 17221 of 12 March 2010 as subsequently amended, attributes to the committee, consisting only of independent directors.

The governance model adopted by the Company is inspired by the Corporate Governance Code for listed companies promoted by the Borsa Italiana S.p.A. Corporate Governance Committee, which the Company follows, as well as the reference models represented by international best practice.

DISCLOSURE PURSUANT TO ART. 123-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58/1998 (THE CONSOLIDATED FINANCE ACT)

At its meeting on 28 March 2017, the LVenture Group S.p.A. Board of Directors approved the Annual Report on corporate governance and ownership structures for the year 2016, which provides, inter alia, the disclosure pursuant to art. 123-bis, par. 1, of the Consolidated Finance Act: the report illustrates in detail the LVenture Group corporate governance system and includes, aside from the information pursuant to art. 123-bis, par. 2, of the Consolidated Finance Act, a broad examination of the implementation status of the governance principles recommended by the Corporate Governance Code for listed companies, in keeping with the "comply or explain" rule.

The Annual Report on corporate governance and ownership structures, which is hereby referenced in its entirety, is made available to the public in conjunction with this Directors' Report and the financial statement documentation. It may be consulted in the "Corporate Governance" section of the website *www.lventuregroup.com*.

DISCLOSURE PURSUANT TO ART. 123-TER OF ITALIAN LEGISLATIVE DECREE NO. 58/1998 (THE CONSOLIDATED FINANCE ACT)

Also on 28 March 2017, the LVenture Group Board of Directors approved, in observance of art. 123-ter of the Consolidated Finance Act, as well as art. 84-quater of the Issuers' Regulations, the Remuneration Report. The Report has two sections:

(i) the first, dedicated to the illustration of the remuneration policy for members of the management body and key managers with reference to the year 2017, as well as the procedures used to adopt and implement that policy;
(ii) the second, intended to provide a representation of each of the items making up remuneration and describe the remuneration paid in 2016 to members of the management and control bodies and key managers. The Report will be submitted to the Shareholders' Meeting called for 27/28 April 2017, which will be asked to provide its non-binding approval of the first section.

The Remuneration Report is available at the Company's registered office and on the website *www.lventuregroup.com*.

DISCLOSURE PURSUANT TO CONSOB RESOLUTION NO. 17221 OF 12 MARCH 2010 (RELATED PARTY REGULATION)

In 2016, the Company did not carry out transactions of greater relevance or which significantly influenced its balance sheet or profit and loss with related parties, nor were there changes or developments in the transactions described in the annual report for 2016 that generated the same effects.

All information relating to transactions with related parties in 2016 is provided in the Notes.

MANAGEMENT AND COORDINATION

LVenture Group is controlled, pursuant to art. 93 of the Consolidated Finance Act, by Luigi Capello, through LV.EN. Holding, in which he holds a 54.33% stake. LV.EN. Holding, the major shareholder of LVenture Group, holds 41.75% of the Company's share capital and exercises de facto control over it pursuant to art. 2359, paragraph 1, no. 2 of the Italian Civil Code.

Although LVenture Group is subject to the control (pursuant to art. 93 of Italian Legislative Decree 58/1998) of LV.EN. Holding, neither the latter nor any other party was involved in policy-making and/or interfered in the management of LVenture Group: indeed, de facto, the management of the Company is not influenced at all by any third parties external to LVenture Group.

LVenture Group is not subject to management and coordination by the holding company LV.EN. Holding, or any other party, pursuant to articles 2497 et seq. of the Italian Civil Code.

In compliance with principles of conduct, transactions of LVenture Group of particular strategic, economic, capital and financial significance must be jointly examined and exclusive approved by the Board of Directors of LVenture Group, which is made up of directors meeting the requirements of (non-executive and) independent directors, in light of the criteria laid out in art. 3 of the Corporate Governance Code.

It is deemed that the competence and expertise of the non-executive and independent directors and their significant weight in taking board decisions constitutes a further guarantee that all decisions of the Board of Directors will be adopted in the exclusive interest of LVenture Group and in the absence of instructions or interference from third-party stakeholders from outside the Company.

HEALTH, SAFETY AND ENVIRONMENT

In compliance with the provisions of article 2428, paragraph 2, of the Italian Civil Code, please note that the Company carries out its activities in compliance with environmental regulations.

BUSINESS OUTLOOK

Following the merger, in the initial months of 2017 the Company's management revised the medium/long-term strategies as well as the **2017-2020 Business Plan**, submitted to the Board of Directors for approval on 28 March 2017. The main strategic objectives of the 2017-2020 Business Plan are:

- investing in the most promising digital startups selected primarily from amongst those participating in the Acceleration Programme or sought out in the market, supporting them during their growth and development phase in order to maximise exit values;
- promoting international development through joint ventures to support the activities of startups and increase their valuation;
- expanding the Ecosystem to maximise support to startups and in particular increase spaces to allow for an even greater number of startups to take advantage of the benefits of working within an Accelerator;
- stabilising and diversifying ordinary revenues, in particular, through the organisation of Open Innovation programmes with Corporate Businesses and the efficient management of company spaces.

Benefits for Shareholders

- forecast profit for the Issuer starting from the closure of the Financial Statements at 31 December 2019;
- dividend pay out of 50% of profit for the year, starting from 2020;
- reduction of the risk of investment in the venture capital area, through:
  a. transparency and the monitoring of the investments of issuers listed in regulated markets;
  b. the higher liquidity of a share traded on the MTA market.

Main implementing actions

- providing the Company with sufficient capital to finance the process of investing in startups and Company growth;
- developing the Open Innovation business area, as an activity complementing those already carried out by the Company;
- strengthening the Company's organisational structure, also in terms of resources used, to allow for the management of a broader volume of investments than the current.

In the opening months of 2017, the Company carried out the following actions:

- it partially executed the mandate granted to it pursuant to art. 2443 of the Italian Civil Code by the Company's Extraordinary Shareholders' Meeting on 30 April 2014, with an initial share capital increase of LVenture Group, against payment, in tranches, in the amount of €700 thousand, closed on 20 March 2017 (for further information, see Note 39);
- it is currently in negotiations with additional strategic investors for a further share capital increase, in tranches, again in partial execution of the mandate granted to it pursuant to art. 2443 of the Italian Civil Code by the Company's Extraordinary Shareholders' Meeting on 30 April 2014;
- it began to structure a loan for €2,000 thousand with a leading credit institution in order to support the Company's future development;
- it selected startups for the 10th Acceleration Programme, the kick-off of which was held on 1 December 2016 (for additional information, see Note 39);
- it began the Android Factory 4.0 programme in February 2017, launched by LVenture Group and Google to cultivate new Made in Italy and Industry 4.0 startups. This programme is part of the activities of the Open Innovation business area;
- it opened the call for applications to participate in the 11th Acceleration Programme, which will close on 2 April 2017;
- it continued its investment activities, disbursing €706 thousand in the initial months of the year.

PROPOSED RESOLUTION

Dear Shareholders,

We invite you to approve the following resolution.

"The Shareholders' Meeting:

- acknowledging the Report of the Board of Directors on operations;
- acknowledging the Report of the Board of Statutory Auditors;
- acknowledging the Report of the Independent Auditors;
- having examined the Financial Statements at 31 December 2016, which closed with a loss for the year of €1,898,759.35 (loss of €1,079,485.82 at 31 December 2015);

resolves

- to approve the Balance Sheet, Income Statement and the Notes to the Financial Statements for the year ending at 31 December 2016, which show a loss for the year of €1,898,759.35, as presented by the Board of Directors overall, in terms of the individual items and with the provisions proposed;
- to cover losses for the year, to the extent of €1,842,395.52, by using the "Share premium reserve";
- to carry forward losses for the year, to the extent of €56,363.83.

Rome, 28 March 2017

On behalf of the Board of Directors
Chairman
Stefano Pighini

SEPARATE FINANCIAL STATEMENTS AT DECEMBER 2016

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

NOTES	BALANCE SHEET *(€ thousands)*	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
	ASSETS			
	NON-CURRENT ASSETS			
9	Property, plant and equipment and other machinery	396	10	112
10	Goodwill and other intangible assets	120	67	67
11	Available-for-sale securities and equity investments	8,901	7,003	6,343
12	Receivables and other non-current assets	568	302	302
13	Deferred tax assets	241	0	241
	TOTAL NON-CURRENT ASSETS	**10,226**	**7,382**	**7,065**
	CURRENT ASSETS			
14	Trade receivables	690	55	199
15	Current financial assets	135	0	0
16	Other receivables and current assets	330	66	174
17	Cash and cash equivalents	1,621	863	1,132
	TOTAL CURRENT ASSETS	**2,776**	**984**	**1,505**
	TOTAL ASSETS	**13,002**	**8,366**	**8,570**
	LIABILITIES			
18	**SHAREHOLDERS' EQUITY**			
18.1	Share capital	8,445	6,425	6,425
18.2; 18.3	Other reserves	4,831	2,836	2,834
	Profit (loss) carried forward	-510	0	-352
	Net profit (loss)	-1,899	-1,079	-1,234
	TOTAL SHAREHOLDERS' EQUITY	**10,867**	**8,182**	**7,673**
	NON-CURRENT LIABILITIES			
19	Non-current payables to banks	656	0	446
	Other non-current financial liabilities	0	0	0
20	Other non-current liabilities	33	0	33
	Provisions for risks and charges	0	0	0
	Provisions for employee benefits	0	0	0
21	Deferred tax liabilities	36	0	0
	TOTAL NON-CURRENT LIABILITIES	**725**	**0**	**479**
	CURRENT LIABILITIES			
	Current payables to banks	0	0	0
	Other current financial liabilities	0	0	0
22	Trade and other payables	1,043	165	353
23	Tax payables	41	0	21
24	Other current liabilities	326	19	44
	TOTAL CURRENT LIABILITIES	**1,410**	**184**	**418**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**13,002**	**8,366**	**8,570**

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

NOTES	INCOME STATEMENT *(€ thousands)*	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
25	Revenues and other income	1,749	267	929
26	Costs for services	-1,232	-706	-1,093
27	Personnel costs	-789	-412	-629
28	Other operating costs	-774	-146	-355
	EBITDA	**-1,046**	**-997**	**-1,148**
29	Depreciation and impairment losses on assets	-64	-1	-19
30	Amortisation and impairment losses on intangible assets	-8	0	0
31	Provisions and write-downs	-19	0	-17
32	Value adjustments on equity investments	-725	-85	-85
	EBIT	**-1,862**	**-1,083**	**-1,269**
33	Financial income	4	11	12
34	Revenues from exits	78	0	0
35	Financial expenses	-23	-2	-17
36	Other Income and Expenses	-96	-5	0
	Pre-tax profit (loss)	**-1,899**	**-1,079**	**-1,274**
37	Income taxes	0	0	40
	Net profit (loss)	**-1,899**	**-1,079**	**-1,234**
38	**Earnings per share** *(€)*	**-0.0742**	**-0.0609**	**-0.0697**

STATEMENT OF COMPREHENSIVE INCOME *(€ thousands)*	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Net profit (loss)	**-1,899**	**-1,079**	**-1,235**
Other comprehensive income net of taxes	0	0	0
- Effect of valuation of the AFS Equity Investment net of tax effect, will subsequently be classified in the income statement	*1,263*	*898*	*898*
Total other comprehensive income net of taxes	***1,263***	***898***	***898***
Comprehensive income	**-636**	**-181**	**-337**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€ thousands)	Share capital	Capital reserve	Earnings reserves	Other reserves	Closing balance
Balance 31/12/2013	**3,954**	**773**	**0**	**-482**	**4,246**
Shareholder capital contributions	2,471	2,274	0	0	4,745
Coverage of losses	0	-773	0	773	0
Increase/Decrease in Fair Value Reserve	0	0	0	474	474
Total profit (loss) for the year	0	0	0	-1,100	-1,100
Balance 31/12/2014	**6,425**	**2,274**	**0**	**-335**	**8,364**
Shareholder capital contributions	0	0	0	0	0
Coverage of losses	0	-1,163	0	1,163	0
Increase/Decrease in Fair Value Reserve	0	0	0	898	898
Total profit (loss) for the year	0	0	0	-1,079	-1,079
Balance 31/12/2015	**6,425**	**1,111**	**0**	**646**	**8,182**
Shareholder capital contributions	2,020	1,811	0	0	3,830
Coverage of losses	0	-1,079	0	1,079	0
Increase/Decrease in Fair Value Reserve	0	0	0	1,263	1,263
Profit (loss) from previous years	0	0	0	-510	-510
Total profit (loss) for the year	0	0	0	-1,899	-1,899
Balance 31/12/2016	**8,445**	**1,842**	**0**	**580**	**10,867**

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

CASH FLOW STATEMENT

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Net profit (loss)	**-1,899**	**-1,079**	**-1,234**
Amortisation and depreciation of intangible assets and property, plant and equipment	72	1	19
Provisions and write-downs	744	85	102
Financial income	-4	-11	-12
Financial expenses	23	2	17
Other Income and Expenses	18	5	1
Cash flows from discontinued operations	-241	0	0
Deferred tax assets	36	5	-47
Change in trade receivables	-635	-50	9
Change in trade payables	878	-12	-12
Change in other receivables	-263	115	-45
Change in other payables	307	1	15
Change in provisions for personnel and other provisions	0	0	0
Net cash flow generated/absorbed by operations	**-964**	**-938**	**-1,187**
Increase in property, plant and equipment	-451	6	-25
Increase in intangible assets	-61	-8	7
Changes in equity investments	-2,952	-3,038	-3,021
Other changes	-132	39	-7
Net cash flow generated/absorbed by investment activities	**-3,596**	**-3,001**	**-3,046**
Financial expenses	-23	-2	-17
Financial income	4	11	12
Change in loans receivable	64	-102	-102
Other changes in shareholders' equity	4,584	898	894
Change in financial payables to others	33	0	30
Changes in payables to banks and other current financial liabilities	0	0	0
Changes in payables to banks and other non-current financial liabilities	656	0	446
Net cash flow generated/absorbed by financing activities	**5,318**	**805**	**1,263**
Total cash flow generated (absorbed) during the period (A+B+C)	**758**	**-3,134**	**-2,970**
Opening cash and cash equivalents	**863**	**3,997**	**4,102**
Closing cash and cash equivalents (D+E)	**1,621**	**863**	**1,132**

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL NOTES

LVenture Group operates at national and international level in the Venture Capital sector. The Company's mission is to generate value for its shareholders by transforming young, talented startups into successful companies.

LVenture Group, with registered office at via Marsala 29H, Rome, is listed on the MTA market of Borsa Italiana S.p.A.

At 31 December 2016, **41.75%** of the share capital of LVenture Group is held by LV.EN. Holding Srl.

The Financial Statements at 31 December 2016 were approved by the Board of Directors of LVenture Group on 28 March 2017 and were audited by the Independent Auditors Baker Tilly Revisa S.p.A.

2. USE OF ESTIMATES AND CAUSES OF UNCERTAINTY

The Financial Statements were prepared in accordance with IFRS, which require the directors to develop estimates, opinions and assumptions that have an effect on the amount of assets and liabilities, the disclosure relating to contingent assets and liabilities and the value of revenues and costs reported in the period presented. The estimates and assumptions used are based on elements known at the reporting date, historical experience and any other elements deemed relevant.

The situation caused by the current phase of economic and financial uncertainty has made it necessary to make assumptions regarding future trends. Therefore, it cannot be ruled out that the coming year may bring different results to those estimated and hence that adjustments, which currently cannot be estimated or predicted and may turn out to be significant, may need to be made in the carrying amounts of items relating to equity investments in startups, and more specifically *Available-for-sale securities and equity investments* and the *Fair Value Reserve*.

3. MERGER BY INCORPORATION OF ENLABS INTO LVENTURE GROUP

On **20 December 2016**, the deed of merger by incorporation of EnLabs into LVenture Group was entered into.

The transactions of EnLabs were attributed to the Financial Statements of LVenture Group, also for tax purposes pursuant to article 172, paragraph 9 of Italian Presidential Decree no. 917 of 22 December 1986, as of, pursuant to art. 2504-bis, paragraph 2 of the Italian Civil Code, **1 January 2016**, while the merger took effect, pursuant to art. 2504-bis, paragraph 2 of the Italian Civil Code, as of 23 December 2016 for statutory purposes.

As a result, LVenture Group took over full ownership of all assets and liabilities and all relationships, including procedural, of the absorbed company EnLabs, and all of its claims, actions and rights, as well as all obligations, commitments and liabilities of any nature whatsoever, taking on the responsibility of settling all liabilities without distinction at the agreed maturities and under the agreed conditions.

The merger by incorporation between LVenture Group and EnLabs (parent-subsidiary merger) cannot be classified as a business combination as it did not entail any exchange with third parties with reference to the assets being combined, or an acquisition in the economic sense. The only change compared to the pre-merger situation is the method of exercising control over the assets and liabilities of the absorbed company which, from indirect, becomes direct. These characteristics are all present within parent-subsidiary mergers by incorporation when the absorbed company is a wholly-owned subsidiary.

Therefore, parent-subsidiary mergers by incorporation are excluded from the scope of application of IFRS 3.

Lacking references to specific IFRS standards or interpretations for these transactions, please recall that IAS 1.13 requires in general terms that the financial statements provide a true and fair view of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria laid out by the systematic framework (IFRS Framework) for assets, liabilities, costs and revenues, and IAS 1.15 establishes the obligation to select, in accordance with the hierarchy established by IAS 8, accounting standards suitable to achieve the general objective of providing a true and fair view.

Considering the unique nature of these transactions and the fact that IFRS does not deal with them specifically, it is deemed that the selection of the most suitable accounting standard should be guided by the general principles laid out in IAS 8. Therefore, it is necessary to decide first of all whether in this circumstance it is preferable to seek out the solution in other accounting standards and/or laws rather than within the scope of IFRS.

In searching for an accounting treatment which falls within the conceptual scope of the Framework and which meets the criteria of IAS 8.10, the critical element is represented by the fact that the accounting standard selected to represent mergers by incorporation must reflect their economic substance, irrespective of their legal form.

In parent-subsidiary mergers when the absorbed company is a wholly-owned subsidiary, the application of the principle of continuity of values results from the absence of an exchange with third parties and an acquisition in the economic sense. Applying the principle of continuity of values means placing significance on the pre-existence of the relationship of control between the companies involved in the merger (incorporating and absorbed company), as well as the cost incurred by the incorporating company for the original acquisition of the absorbed company. This cost, as well as its allocation to the current values of the assets and liabilities of the absorbed company and goodwill, is identified in the consolidated financial statements of the group consisting of the incorporating company and the absorbed company. In other words, the parent-subsidiary merger results in the alignment of the consolidated financial statements of the incorporating company at the date of the merger with the separate financial statements of the incorporating company post-merger, implementing a so-called “legal consolidation”.

As a result, the elimination difference between the cost of the equity investment and the corresponding fraction of shareholders' equity of the absorbed company should, in principle, be allocated for the same values up to limit of the net carrying amount of the assets of the absorbed company and the goodwill resulting from the consolidated financial statements at the same date. For reasons of prudence, different values may be allocated provided they do not exceed the corresponding values in the consolidated financial statements.

The merger values were allocated as follows:

(€ thousands)	
Elimination of equity investment in EnLabs	661
Elimination of EnLabs Share Capital	-13
Elimination of Capital contributions of EnLabs	-138
Recognition of prior losses of EnLabs	-510
Total	**0**

As regards the issue of the backdating of the 100% parent-subsidiary merger for accounting purposes, concerning the period between the date to which the determination of the conversion ratio refers (which in this specific case is the start of 2016) and the actual effective date of the mergers. In the absence of an actual acquisition in incorporations of this type and, therefore, of an "acquisition date", it is deemed that IAS 27.30, according to which the income and costs of a subsidiary are to be included in the income statement starting from the acquisition date, does not apply. The suggested accounting treatment is consistent with the affirmation that in such transactions, control over the activities of the absorbed company does not change, but rather indirect control is replaced with direct control. As a result, there is a need for consistency with the treatment of costs and revenues of the absorbed company/subsidiary in the consolidated financial statements, which is achieved by means of their inclusion in the income statement of the incorporating company starting from the beginning of the previous year, presented for comparative purposes with respect to that in which the merger by incorporation takes place, or the date of actual acquisition from third parties if later. This approach would entail the backdating of the accounting effects of the merger, also with reference to the costs and revenues of the absorbed company of the previous year and their resulting restatement for comparative purposes in the financial statements of the current year.

Given the difficulty of conducting this restatement legally speaking, it was deemed that the accounting backdating of the absorbed company's costs and revenues for the previous year would be accurately represented in the financial statements by inserting a third column alongside the unmodified data from the previous year of the incorporating company. Likewise, it was decided that it would be consistent with this approach to also present post-merger balance sheet values (sum of assets and liabilities of the incorporating company and the absorbed company, as well as the allocation of the elimination difference as specified above) for the previous year presented for comparative purposes, in a third column alongside the unmodified data from the previous year of the incorporating company. This third column is labelled "Pro-Forma" and contains data from the 2015 consolidated financial statements.

4. GENERAL REPORTING CRITERIA

The Separate Financial Statements were drawn up in compliance with the IAS/IFRS (International Accounting Standards – IAS – and International Financial Reporting Standards – IFRS) issued by the IASB, on the basis of the text published in the Official Journal of the European Community (OJEC). The IFRSs also include all the revised international accounting standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The Notes to the Financial Statements were supplemented with the additional disclosures required by CONSOB and the measures issued in implementation of article 9 of Italian Legislative Decree 38/2005 (resolutions 15519 and 15520 of 27 July 2006 and communication DEM/6064293 of 28 July 2006, pursuant to art. 114, paragraph 5 of the Consolidated Finance Act), art. 78 of the Issuers' Regulations and the EC document of November 2003 and, when applicable, the Italian Civil Code. In line with the Financial Statements from last year, some information is contained in the Directors' Report on operations.

The Separate Financial Statements have been prepared based on the assumption of the Company's ability to continue as a going concern and include the statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and the relative notes. The Separate Financial Statements were drafted in thousands of euros.

For the presentation of profit and loss results, the Company uses an income statement that recognises components of revenues and costs by nature. In the income statement, as in the interim reports, EBITDA (earnings before interest, taxes, depreciation and amortisation) and EBIT (earnings before interest and taxes) are shown, as indicators deemed representative of company performance. In addition, the statement of comprehensive income is also prepared, which also includes the economic items that are not recognised in the income statement and directly impact the specific items of shareholders' equity.

The transactions represented in the statement of comprehensive income are shown net of the relative tax effect.

In the balance sheet, the Company presents current assets and liabilities, which are expected to be realised or settled during the normal operating cycle, separately from non-current items. The statements outlined above, appropriately supplemented by the Notes, accompanied by the Directors' Report, are deemed those which are capable of best providing a structured representation of the financial position and profit and loss of the Company. If, due to a new standard, a change in the nature of transactions or a restatement of the financial statements, it is necessary or appropriate to make a change in the financial statement items to provide reliable and more relevant information for users of the financial statements, the comparative data will be reclassified accordingly in order to improve the comparability of information from different years. In this case, if significant, an appropriate disclosure will be provided in the notes.

Pursuant to art. 3 of Consob Resolution no. 18079 of 20 January 2012, please note that the Company relied on the exemption laid out in arts. 70, paragraph 8 and 71, paragraph 1-bis of Consob Reg. no. 11971/99 (as amended) with reference to the provision to the public at the registered office of documentation concerning mergers, spin-offs, share capital increases, acquisitions and disposals.

5. ALTERNATIVE PERFORMANCE INDICATOR (API)

In order to represent the portfolio performance cleared of the conservative effects of IFRS 13, the Company provides an Alternative Performance Indicator (API), recalculated by applying the post-money value of the startup after the share capital increase, also for those cases in which pursuant to IFRS 13 it would not be applicable. It should be specified that this business performance measurement criterion is a key to the interpretation of the results not provided by the IAS/IFRS, and it must not be considered as replacing those outlined in such principles.

6. MEASUREMENT CRITERIA AND ACCOUNTING STANDARDS

The accounting standards adopted in preparing these Separate Financial Statements are consistent with those applied to prepare the Separate Financial Statements at 31 December 2015, with the exception of what is laid out below with respect to the new accounting standards, amendments and interpretations applicable as of 1 January 2016.

As required by Consob communication no. 0007780 of 28.1.2016 and the public statement published on 27 October 2015 by ESMA, "European common enforcement priorities for 2015 financial statements", in relation to the disclosure that listed companies must provide in financial reporting at 31 December 2015 and subsequently, specific information is provided below on the accounting standards, the policies adopted and the measurements made by the Company, by providing, for example, a detailed description of relevant and directly applicable accounting standards, specifying how these standards were adopted by the Company and avoiding the mere reproduction of what is established in the standards. As a result, the accounting standards not adopted by the Company in the preparation of the Separate Financial Statements are not mentioned.

With respect to the accounting standards, amendments and interpretations endorsed by the European Union and applicable as of 1 January 2016, those that have been and are applied in the Separate Financial Statements of LVenture Group at 31 December 2016 are described below:

* Amendments to IAS 1: Disclosure initiative: the amendments to IAS 1 are part of the broader Disclosure Initiative project to improve the disclosure provided in IFRS financial statements. These amendments regarded: the concept of materiality, the elements to be presented in the financial statements, the notes and the accounting standards. As regards materiality, it is specified that aggregation or de-aggregation should not conceal useful information for the reader and that materiality applies to each of the primary financial statements, the notes and each expressly required

disclosure. As regards the elements to be presented in the financial statements, additional guidance is provided with respect to further elements presented and new subtotals. In relation to the notes to the financial statements, it is established that an entity should present the notes as systematically as possible. In determining this systematic method, the entity should evaluate the effect on the understandability and comparability of its financial statements. An entity should include a reference to the relative disclosure in the notes for each item of the statement of financial position and the statement of profit (loss) for the year and the items of other comprehensive income, as well as the statement of changes in shareholders' equity and the cash flow statement. The amendments described above were issued by the IASB on 18 December 2014 and were published in the Official Journal of the European Union on 19 December 2015.

Accounting standards, amendments and interpretations published by the IASB and endorsed by the European Union, which will be obligatory for IFRS financial statements as of 1 January 2018:

- IFRS 9 - Financial Instruments: in July 2014, the IASB published IFRS 9 - Financial Instruments (2014), which incorporates the final version of the standard developed for all three phases of the project on Financial Instruments, i.e., classification and measurement, impairment and hedge accounting. The original version of IFRS 9 issued by the Board in 2009 introduced a new approach for the classification and measurement of financial assets recognised at amortised cost.

  In order to apply the amortised cost approach, a two-step test is required. The first step requires an evaluation of whether the instrument is included in a business model with the objective of retaining it to receive contractual cash flows rather than selling it to realise its fair value. In the second place, it is necessary to verify that the contractual terms of the instrument envisage cash flows at defined maturities that represent only the repayment of the principal amount and the payment of interest (Solely Payments of Principal and Interest - SPPI test). If both of the above-mentioned conditions are satisfied, a financial asset is measured at amortised cost. IFRS 9 was issued by the Board on 24 July 2014 and was published in the OJ on 29 November 2016. At the moment, the Company believes that the adoption of the new standard will not have particular effects on its financial reporting.

- IFRS 15 - Revenue from Contracts with Customers: on 28 May 2014, the IASB published the document that requires a company to recognise revenues at the moment of transfer of control over the assets or services to customers at an amount that reflects the consideration expected to be received in exchange for such products or services. To this end, the new model for the recognition of revenues defines a five-step process. The new standard also requires additional information about nature, amount, timing and uncertainty concerning revenues and cash flows deriving from agreements with customers.

  IFRS 15 was published in the Official Journal of the European Union on 29 October 2016.

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union:

- Amendments to IAS 7 - cash flow statement: the amendments are part of the broader Disclosure Initiative project. The Board made these amendments in response to requests from users of financial statements, for which understanding any entity's cash flows is very important. The amendments regarded the addition of par. 44A, according to which an entity must provide a disclosure that enables users of financial statements to evaluate the changes in liabilities generated by financing activities, including non-monetary elements. As a result, in relation to changes in financial liabilities, a disclosure must be provided with regard to: changes in cash flows linked to financing activities; changes due to the acquisition or loss of control over subsidiaries; the effect of foreign exchange; changes in fair value and other changes. The disclosures required by par. 44A are provided by means of a statement of reconciliation between opening and closing balances of the liabilities for financing activities. The amendments to IAS 7 were issued by the Board on 29 January 2016 and the relative endorsement process should be completed in the second quarter of 2017.

- Amendments to IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses: the amendments relate to the recognition and measurement of Deferred Tax Assets (DTA). In particular, the amended standard envisages that: DTAs may be recognised for the relative temporary differences between the fair value and the taxable amount of fixed-rate financial instruments that were not written down (applies to the Available For Sale category) and the temporary differences must be compared with future revenues. The amendments to IAS 12 were issued by the IASB on 19 January 2017 and the relative endorsement process should be completed in the second quarter of 2017.
- IFRS 16 – Leases: The standard replaces IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 contains a single model for the recognition of leases that eliminates the distinction between operating leases and financial leases from the view of the lessee. All contracts classified as leases must be recognised in the balance sheet as a right of use asset and a corresponding liability, with the exception of short-term leases and leases of low-value items for which the lessor has the option of not recognising them based on IFRS 16. The asset will be subsequently recognised as, for example, property, plant or equipment or investment property and the liability will be released based on the payment of principal instalments, and interest will be calculated on it based on the internal rate of the lease agreement. For many entities, the effects of recognising all lease agreements in the balance sheet could be very significant and will require careful planning so as to avoid problems such as not meeting bank covenants. The new IFRS 16 was issued by the IASB on 13 January 2016 and the relative endorsement process should be completed in the second quarter of 2017.

6.1. Transactions in foreign currency

i. Functional and presentation currency. All items included in the Company's Separate Financial Statements are measured by using the currency of the main economic environment in which the entity operates (functional currency). The Separate Financial Statements are presented in euro (rounded to the nearest thousand), as this is the currency in which the majority of the Company's transactions are carried out.

ii. Transactions in foreign currency. The Company's Separate Financial Statements were prepared in the functional currency of the business. In preparing the financial statements, transactions in foreign currency are converted to the functional currency by applying the exchange rate in force at the transaction date. Monetary assets and liabilities in foreign currency existing at the reporting date are converted using the exchange rate in force at the closing date; non-monetary assets and liabilities, measured at historical cost in foreign currency, are converted using the exchange rate in force at the transaction date.

Foreign exchange differences deriving from the conversion of monetary assets and liabilities at the reporting date are recognised in the income statement.

The rates applied are shown in the table below:

	Year 2016	
	Closing exchange rate	Average exchange rate
US dollar / Euro	0.9487	0.9039

6.2. Intangible assets (IAS 38)

Intangible assets other than goodwill

Intangible assets consist of identifiable non-monetary elements with no physical consistency, which may be controlled and can generate future economic benefits. These elements are recognised at acquisition and/or production cost, inclusive of directly attributable expenses to make the asset ready for use, net of cumulative amortisation and any impairment losses. Amortisation begins at the moment in which the asset is available for use and is broken down systematically over the remaining period during which it will be possible to use the asset, i.e., based on its estimated useful life.

Goodwill

Goodwill represents the difference between the cost incurred for the acquisition of a controlling interest (of a set of assets) and the fair value of the assets and liabilities identified upon acquisition. Goodwill is not amortised, but is tested for impairment at least once per year. Any decline in the value of goodwill is recognised if the recoverable amount of the goodwill is lower than its carrying amount in the financial statements. Recoverable amount refers to the higher of the fair value, net of costs to sell, and the relative value in use. Any impairment losses recognised on goodwill cannot be reversed subsequently.

The goodwill recognised in the consolidated financial statements in 2013 due to the purchase price allocation (PPA) caused by the merger by incorporation of LVenture S.r.l. (single shareholder) into the Company was attributed to the subsidiary EnLabs. After the merger by incorporation of the subsidiary, the goodwill was maintained and allocated to the Acceleration cash generating unit.

6.3. Property, plant and equipment (IAS 16 and IAS 17)

Property, plant and equipment are recognised at the acquisition price, inclusive of directly attributable accessory costs necessary to make the asset ready for the use for which it was acquired. Assets consisting of components of a significant amount and with different useful lives are considered separately in the determination of depreciation. Depreciation is calculated on a straight-line basis based on the estimated useful life of the asset for the company, which is reviewed every year. The following depreciation rates are used:

Furnishings	12%
IT hardware	20%
Other assets	12% – 20%

Upon the occurrence of events which make it reasonable to believe that the asset value has declined, its relative carrying amount is verified by comparing it with the "recoverable" amount, represented by the greater of the fair value and the value in use. The fair value is defined on the basis of the values in the active market, recent transactions or the best information available in order to determine the potential amount that could be obtained from the sale of the asset.

The value in use is determined by discounting the cash flows deriving from the expected use of the asset, applying the best estimates concerning the remaining useful life and a rate that also takes into account the implicit risk of the specific business segments in which the company operates. This evaluation is carried out at the level of individual asset or the smallest identifiable set of independent cash generating assets (CGU).

In the case of negative differences between the values noted above and the carrying amount, a write-down is recognised. If the reasons for the impairment loss no longer apply subsequently, it is reversed. Write-downs and reversals are recognised in the income statement.

6.4. Equity investments in subsidiary companies (IAS 27, IAS 28 and IAS 36)

Equity investments in subsidiaries are valued at cost. If there are positive differences emerging upon acquisition between the acquisition cost and the portion of shareholders' equity at current values of the investee attributed to the company, an impairment test is conducted to properly determine any increases or reductions in value in the carrying amount of the equity investment.

If there are specific impairment indicators, the value of the equity investment in the subsidiary is tested for impairment. For the purpose of the impairment test, the carrying amount of the equity investments is compared with the recoverable amount, defined as the higher of the fair value, less costs to sell, and the value in use. In accordance with the amendment made to IAS 36, in order to recognise any impairment losses on equity investments, new indicators of possible impairment were also considered.

Equity investments in subsidiaries are tested for impairment every year, or more frequently if necessary. If there is evidence that such equity investments have decreased in value, the loss is recognised in the income statement as a write-down.

If any portion attributable to the company of losses of the investee exceeds the carrying amount of the equity investment and the company has the obligation or intention to bear liability for it, the value of the equity investment is eliminated and the amount of any additional losses is recognised as a provision for risks in the liabilities. If, subsequently, the impairment loss is no longer applicable or decreases, a reversal of the impairment loss is recognised in the income statement within the limits of the cost.

6.5. Other equity investments (IAS 39 and IAS 36)

Equity investments in startups, consisting of non-current financial assets not held for trading, are classified as available-for-sale financial assets and recognised at fair value. These stakes are typically lower than 20%. In exceptional cases in which that threshold is marginally exceeded, the investee in any event is not considered an associate insofar as all other prerequisites laid out by the reference accounting standard are not met.

Gains and losses deriving from changes in fair value are recognised directly in shareholders' equity until the startups are disposed of or have undergone an impairment loss; at the moment in which the asset is sold, the total gains or losses recognised previously in shareholders' equity are attributed to the income statement for the period.

When the startup is placed in liquidation, the asset is written down and cumulative losses are included in the income statement.

SIC 12, the interpretation, has anti-evasion purposes and applies to vehicle companies, as defined by IFRS 3. SIC 12 handles financial asset transactions that would give rise to “off-balance sheet” vehicles because they are not controlled, in accordance with the criteria established by IAS 27; these vehicles could need to be consolidated on the basis of the requirements laid out in SIC 12.

6.6. Financial assets and investments

The Company classifies financial assets and investments in the following categories:

- receivables;
- available-for-sale financial assets.

They are accounted for in line with the contractual documents signed by the parties. For all categories, at each reporting date the Company evaluates whether there is objective evidence that a financial asset or a group of financial assets are in situations symptomatic of impairment losses and recognises the write-down if the dedicated impairment testing results in a recoverable amount lower than the carrying amount.

Receivables

These include investments classified as “loans & receivables” in accordance with the definition laid out in IAS 39, such as loans or unlisted bonds issued by companies. These financial assets are initially recognised at fair value (normally corresponding to cost) and are then measured at amortised cost, net of any write-downs following impairment testing.

The item in question also includes trade receivables, which are initially recorded at their fair value (which typically corresponds to the nominal value) and are recognised in the financial statements at amortised cost. They are subsequently adjusted with any appropriate write-downs, recognised in the income statement, when there is actual evidence that the value of receivables has declined. These write-downs are equal to the difference between the carrying amount and the recoverable amount.

Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value, if this can be determined, with an offsetting entry in shareholders' equity, and gains and losses deriving from changes in fair value are recognised directly in shareholders' equity until they are disposed of or have undergone an impairment loss; at that moment, the total gains or losses recognised previously in shareholders' equity are attributed to the income statement for the period. Reductions in value are recognised in the income statement if there is a situation such so as not to allow the startups to continue their activities.

The designation of the individual instrument in this category is final, is carried out upon initial recognition and cannot be amended.

6.7. Cash and cash equivalents (IAS 32 and IAS 39)

Cash and cash equivalents include cash in hand, sight deposits and short-term highly liquid financial investments which are readily convertible into cash values and which are subject to an irrelevant risk of price fluctuations. All cash and cash equivalents in current accounts are measured at their nominal value; other cash and cash equivalents and short-term financial investments are measured, based on data availability, at their fair value determined as the market value at year-end close.

6.8. Receivables and payables (IAS 32)

Receivables are recognised at their assumed realisable value. If the financial nature of these positions is recognised, they are recorded at amortised cost. Receivables and payables in foreign currency originally accounted for at the exchange rates in force at the date on which the transaction is carried out are adjusted to current exchange rates at year-end and the relative foreign exchange gains and losses are recognised in the income statement. Receivables and payables expected to be paid or collected beyond the subsequent year are discounted in accordance with market risk free rates at the reporting date, possibly increased by the intrinsic risk rate evaluated based on the position.

6.9. Income taxes (IAS 12)

Current taxes are recognised and calculated on the basis of a realistic estimate of taxable income in compliance with tax regulations in force and taking into account any applicable exemptions. Deferred taxes are determined on the basis of the taxable or deductible temporary differences between the carrying amount of assets and liabilities and their tax value. They are classified as non-current assets and liabilities.

Article 23, paragraph 9 of Law Decree 98/11, converted by Law 111/11, by the amendment of art. 84 of the Income Tax Consolidation Act, introduced significant amendments to the tax regime of corporate losses for IRES purposes. Corporations may carry forward the tax loss of a tax period with no time limits, allocating it as a deduction from taxable income in subsequent years, to an extent not exceeding 80% of the taxable income of each year and for the entire amount of the loss that can be offset with that amount (art. 84, paragraph 1 of the Income Tax Consolidation Act).

The tax losses of the Company were not recognised in deferred tax assets as, at the moment, the conditions required by the accounting standards for the recognition of the future tax benefit are not met.

6.10. Shareholders' equity

Ordinary shares are recognised at nominal value. The costs directly attributable to the issue of new shares are recognised as a deduction from the shareholders' equity reserves, net of any associated tax benefit.

The item "Profit (loss) carried forward" includes cumulative results and the transfer from other reserves of shareholders' equity when they are released from any restrictions to which they are subject. This item also recognises any cumulative effect of changes in accounting standards and/or any error corrections accounted for in accordance with IAS 8.

The reserve includes the excess of the share issue price with respect to the nominal value, net of expenses incurred during the share capital increase.

6.11. Other non-current and current assets

This item includes receivables not associated with other items in the balance sheet assets. These items are recognised at nominal value or at the recoverable amount if lower based on assessments concerning their future collectability. This item also includes accrued income and prepayments for which it has not proved possible to adjust the respective assets to which they refer.

6.12. Other non-current and current liabilities

This item includes items not associated with other liability items in the balance sheet, in particular primarily trade payables, such as payables to suppliers and withholdings to be paid, as well as accrued liabilities and deferred income which cannot be recognised as a direct adjustment of other liability items.

6.13. Revenues and costs (IAS 18)

Revenues for the provision of services are recognised at the moment the service is provided, with reference to the state of completion of the activities at the reporting date.

Dividend and interest income are recognised respectively:

- dividends, during the year in which they are collected;
- interest, in application of the effective interest rate method (IAS 39).

Costs are recognised when they are incurred. Costs and revenues directly associated with financial instruments measured at amortised cost and which can be determined since their origin irrespective of the moment in which they are settled, are recognised in the income statement by applying the effective interest rate method.

Any impairment losses are recognised in the income statement in the year in which they are identified.

6.14. Discontinued operations (IAS 35)

Discontinued operations are a component of the company which, according to a business plan, is intended to be closed due to the abandonment of the specific business line, which represents an autonomous branch of activity and which is operationally distinct for financial statement recognition and disclosure purposes. On 16 December 2016, the Company's Board of Directors approved the discontinuation of the educational activities of the digital training school DoLab School by the end of 2016 and the progressive elimination of the services category.

6.15. Employee benefits (IAS 19)

Employee benefits are paid each year to a recurring single premium capitalisation policy taken out from Allianz S.p.A., with annual revaluation and consolidation of results. The premiums are calculated on the basis of the rules governing employee severance indemnity in force in Italy. Therefore, the Separate Financial Statements present the annual cost in the income statement, but do not present any balance sheet item, as the policy premiums are paid by 31 December.

6.16. Impairment losses

In the presence of indicators, events or changes of circumstance which make it reasonable to assume the existence of impairment losses, IAS 36 requires impairment testing on intangible assets and property, plant and equipment, in order to ensure that assets are not recognised in the financial statements with a value exceeding their recoverable amount. This test is carried out at least on an annual basis for Assets and Goodwill with an indefinite useful life.

The recoverability of the values recognised in the financial statements is determined by comparing the carrying amount at the reporting date and the higher of either the fair value net of costs to sell (if available) and the value in use. The value in use of property, plant and equipment or an intangible asset is determined on the basis of estimated future cash flows expected from the asset and discounted at a discount rate net of taxes, which reflects the current market valuation of the present value of money and the risks correlated with the Company's activities.

If it is not possible to estimate an independent cash flow for an individual asset, the cash generating unit to which the asset belongs is identified, with which it is possible to associate future objectively determinable cash flows independent from those generated by other operating units. Cash generating units were identified in line with the Company's organisational and operational architecture.

If impairment testing brings to light an impairment loss on an asset, its carrying amount is reduced to the recoverable amount through direct recognition in the income statement.

When there is no longer justification to maintain a write-down, the carrying amount of the asset (or of the cash generating unit), with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable amount, but not beyond the net carrying amount that the asset would have had if no impairment loss had ever been recognised. The reversal is recognised in the income statement immediately.

6.17. Cash flow statement

The Cash flow statement was prepared by applying the indirect method. Cash and cash equivalents included in the Cash flow statement include the balance sheet balances of that item at the reporting date. Cash flows in foreign currency were converted at the average exchange rate for the period. Income and costs relating to interest, dividends received and income taxes are included in cash flows from operations.

6.18. Government grants (IAS 20)

This Standard must be applied for the recognition and disclosure of government grants and for the disclosure regarding other types of public assistance. These grants are provided by the government, government entities and analogous local, national or international entities. Government grants are those that take the form of transfers of resources to a company provided it has respected, or undertakes to respect, certain conditions relating to its operating activities. Those forms of public assistance with which a value cannot be reasonably associated and transactions with public entities that cannot be distinguished from the normal commercial activities of the company are excluded.

Government grants should be recognised until there is reasonable certainty that: the company will respect the established conditions; and the grants will be received. Government grants must be recognised systematically in the statement of profit (loss) for the year in the years in which the entity recognises the relative expenses that the contributions are intended to offset as costs.

The recognition of government grants follows the income method, based on which a grant is recognised in the statement of profit (loss) for the year in one or more years. With the income method, it is fundamental for government grants to be recognised systematically in the statement of profit (loss) for the year in the years in which the entity recognises the relative expenses that the contributions are intended to offset as costs. The recognition of government grants in the statement of profit (loss) for the year at the moment of collection does not respect the adoption of the applicable accounting standards (see IAS 1 Presentation of Financial Statements) and may be acceptable only if there is no method for allocating the grant to years other than that in which it was received. A government grant that can be collected as compensation for costs or losses already incurred in order to provide immediate financial support to the entity without correlated future costs should be recognised in the statement of profit (loss) for the year in which it becomes collectable.

6.19. Earnings per share (IAS 33)

Basic earnings per share is determined as the ratio between the net profit for the period attributable to Shareholders and the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to take into account any potential ordinary shares.

7. SEGMENT REPORTING

Secondary scheme - geographical areas

The Company operates exclusively in Italy; therefore, there is no reclassification of the income statement by geographical areas.

Business segments

The operating activities of the Company and the relative strategies are broken down into two product lines:
- the venture capital activity, which includes the activity of investing in startups and acceleration activities;
- other activities, which include consulting, Open Innovation activities and co-working.

The reclassification of the income statement by business segment as described above is shown below:

(€ thousands)	Venture capital activities			Other activities		
			Pro-Forma			Pro-Forma
	31-Dec-16	31-Dec-15	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-15
Revenues and other income	1,651	77	632	98	190	296
Total	**1,651**	**77**	**632**	**98**	**190**	**296**

(€ thousands)	Venture capital activities			Other activities		
			Pro-Forma			Pro-Forma
	31-Dec-16	31-Dec-15	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-15
Costs for services	1,921	761	1,296	85	92	152
Total	**1,921**	**761**	**1,296**	**85**	**92**	**152**

(€ thousands)	Venture capital activities			Other activities		
			Pro-Forma			Pro-Forma
	31-Dec-16	31-Dec-15	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-15
Wages and salaries	647	245	404	28	62	69
Social security costs	71	73	115	6	13	14
Severance indemnity and other provisions	37	18	27	0	0	0
Total	**755**	**336**	**546**	**34**	**75**	**83**

(€ thousands)	Venture capital activities			Other activities		
			Pro-Forma			Pro-Forma
	31-Dec-16	31-Dec-15	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-15
Gross operating margin	-1,025	-817	-1,209	-21	23	61
Total	**-1,025**	**-817**	**-1,209**	**-21**	**23**	**61**

(€ thousands)	Venture capital activities			Other activities		
			Pro-Forma			Pro-Forma
	31-Dec-16	31-Dec-15	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-15
Depreciation, amortisation and provisions	91	1	36	1	0	0
Total	**91**	**1**	**36**	**1**	**0**	**0**

(€ thousands)	Venture capital activities			Other activities		
			Pro-Forma			Pro-Forma
	31-Dec-16	31-Dec-15	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-15
Write-offs on startups	725	85	85	0	0	0
Total	**725**	**85**	**85**	**0**	**0**	**0**

(€ thousands)	Venture capital activities			Other activities		
			Pro-Forma			Pro-Forma
	31-Dec-16	31-Dec-15	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-15
Exits from startups	78	0	0	0	0	0
Total	**78**	**0**	**0**	**0**	**0**	**0**

(€ thousands)	Venture capital activities			Other activities		
			Pro-Forma			Pro-Forma
	31-Dec-16	31-Dec-15	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-15
Financial/extraordinary operations	-14	5	6	-100	0	0
Total	**-14**	**5**	**6**	**-100**	**0**	**0**

(€ thousands)	Venture capital activities			Other activities		
			Pro-Forma			Pro-Forma
	31-Dec-16	31-Dec-15	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-15
Net profit (loss) before taxes	-1,777	-1,075	-1,336	-121	-23	61
Total	**-1,777**	**-1,075**	**-1,336**	**-121**	**-23**	**61**

8. INFORMATION ABOUT FINANCIAL RISKS

The Company has a system for monitoring the financial risks to which it is exposed. In line with its policy, the financial risks connected with operations are periodically monitored, so as to evaluate their potential negative effects beforehand and take the best actions to mitigate them. An analysis of the risks in question is provided below, highlighting the level of exposure and, for interest rate risk, conducting a sensitivity analysis in order to quantify the potential impact on actual results deriving from theoretical fluctuations in the reference parameters.

Credit risks

Credit risk represents the Company's exposure to potential losses deriving from the failure of counterparties to meet their obligations. The Company does not have a significant concentration of credit risk and has adopted procedures to minimise risk exposure.

The maximum theoretical exposure to credit risk for the Company is represented by the carrying amount of financial assets recognised in the financial statements, equal to €690 thousand (non-current financial assets + trade receivables).

Positions for which an objective condition of partial or total non-collectability has been identified are subject to individual write-downs. To determine the assumed recoverable amount and the amount of the write-downs, an estimate of recoverable cash flows and the relative collection date, costs and future collection expenses are taken into account.

In addition, operating criteria are used to quantify the presence of any guarantees (personal and collateral) and/or the existence of bankruptcy proceedings.

Within its operations, LVenture Group may grant loans to investee companies as part of a broader business/financial project. In this context, credit risk is deferred over a limited number of positions which are continuously monitored.

Processes concerning lending and investment in the sector in which the Company operates are subject to specific procedures. Process mapping is in the completion phase and procedures are in the redefinition and implementation phase.

LVenture Group periodically, and in any event any time the accounts are closed, analyses its receivables (financial and trade) in order to identify those that demonstrate objective evidence of a possible loss in value. Any value adjustment is recognised in the income statement.

The original value of the receivables is restored in subsequent years to the extent to which the reasons that caused the adjustment no longer apply, provided this valuation may be objectively connected with an event that took place subsequent to the adjustment. The write-back is recognised in the income statement and in any event cannot exceed the amortised cost that the receivable would have had in the absence of previous adjustments.

Interest rate risk

At 31 December 2016, there are no financial instruments at a fixed rate, valued at fair value, or derivatives to hedge interest rate risk.

Floating rate financial instruments at 31 December 2016 include cash and cash equivalents and loans.

At 31 December 2016, a theoretical fluctuation in interest rates for floating rate instruments equal to +50 bps, with all other variables remaining the same, would have a pre-tax impact of higher/lower financial expenses on current and non-current floating rate financial liabilities of less than roughly €1.5 thousand annually. Therefore, this risk should be considered limited.

Liquidity risk

Liquidity risk is represented by the possibility that the Company may find itself in the condition of not being able to meet its payment commitments in cash or for delivery, expected or unexpected, due to a lack of financial resources, jeopardising its day-to-day operations and/or its financial position.

Liquidity risk may arise from the difficulty of being able to promptly obtain loans to support operations and may take the form of the inability to obtain the necessary financial resources at affordable conditions.

Short and medium/long-term liquidity requirements are monitored with a view to promptly guaranteeing that financial resources can be obtained or an adequate investment of cash and cash equivalents.

The two main factors that determine the Company's liquidity situation are, on one hand, the resources generated or absorbed by operating and investment activities and, on the other hand, the debt maturity and renewal characteristics or the liquidity of financial investments and market conditions.

At 31 December 2016, the net financial position is €932 thousand, consisting of liquid assets for €1,621 thousand and medium/long-term liabilities for €656 thousand. With reference to financial assets, the Company's policy is to maintain all available liquidity invested in sight bank deposits, without using financial instruments, including in the money market, with bank counterparties carefully identified by taking into account the interest rates offered on deposits as well as counterparty reliability.

Lastly, please note that in order to support future development, LVenture Group is structuring a financing transaction in the amount of €2,000 thousand with a leading credit institution. In addition, the Company partially executed the mandate granted to it pursuant to art. 2443 of the Italian Civil Code by the Company's Extraordinary Shareholders' Meeting on 30 April 2014, with an initial share capital increase of LVenture Group, against payment, in tranches, in the amount of €700 thousand, closed on 20 March 2017 (see Note 39). Lastly, the Company is currently in negotiations with additional strategic investors for a further share capital increase, in tranches, again in partial execution of the mandate granted to it pursuant to art. 2443 of the Italian Civil Code by the Company's Extraordinary Shareholders' Meeting on 30 April 2014.

Fair value disclosure

Following the issue of IRS 13 by the international accounting bodies, in order to improve the disclosure on the fair value measurement associated with financial instruments, the concept of the fair value hierarchy ("FVH") was introduced, which is broken down over three different levels (Level 1, 2 and 3) in decreasing order of observability of the inputs used to estimate fair value.

The FVH levels are:

- Level 1: prices listed on active markets for identical instruments (i.e., with no modifications or repackaging).
- Level 2: prices listed on active markets for similar asset or liability instruments or calculated through valuation techniques in which all significant inputs are based on observable market parameters.
- Level 3: valuation techniques in which any significant input for the fair value measurement is based on non-observable market data.

The fair value of "Available-for-sale securities and equity investments" existing at 31 December 2016 (Note 11) is classified in Level 3. There are no other financial instruments measured at fair value. For the assets and liabilities valued at amortised cost, given their nature, it is reasonable to believe that the fair value is not significantly different from the carrying amounts.

9. PROPERTY, PLANT AND EQUIPMENT AND OTHER MACHINERY

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Property, plant and equipment and other machinery	396	10	112
Total	**396**	**10**	**112**

The breakdown of property, plant and equipment net of the relative provisions is shown below:

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Furnishings	308	0	88
IT hardware	24	10	12
Other assets	65	0	6
Total	**396**	**10**	**107**

The breakdown of this item is shown below with the relative changes during the year:

(€ thousands)	Furnishings	IT hardware	Other assets	Total
- historical cost	124	28	9	162
- Accumulated depreciation and impairment losses	-36	-10	-4	-49
Balance at 31 December 2015	**88**	**19**	**5**	**112**
Changes 2016:				0
- increases	271	11	65	347
- decreases	0	0	0	0
- depreciation and impairment losses	-52	-6	-6	-64
Total changes 2016	**220**	**5**	**59**	**284**
- historical cost	395	39	74	509
- Accumulated depreciation and impairment losses	-88	-16	-9	-113
Net value at 31 December 2016	**308**	**23**	**65**	**396**

The most significant item of property, plant and equipment refers to furnishings and fixtures amounting to €308 thousand, net of the relative accumulated depreciation.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Goodwill	67	67	67
IT software	53	0	0
Total	**120**	**67**	**67**

Impairment test pursuant to IAS 36 on the value of goodwill

Goodwill recorded in the Company's financial statements since 2013 was recognised upon the merger of LVenture Srl into LVenture Group and amounts to €66,950. This goodwill referred to the value in use of all assets constituted by EnLabs Srl. Following the merger of EnLabs into LVenture Group on 20 December 2016, the cash generating unit (CGU) to which that goodwill properly related was identified. That CGU was identified as the Acceleration business line. The value to be tested for impairment was determined as roughly **€234 thousand** and consists of the sum of goodwill (€67 thousand) and investments relating to the business line (€167 thousand).

The impairment test conducted pursuant to IAS 36 brought to light no need to recognise impairment losses.

As regards the value of goodwill specifically, IAS 36 establishes that, as it is an intangible asset with an indefinite useful life, it is not subject to amortisation, but rather tested for impairment at least once per year. As goodwill does not generate independent cash flows nor can it be sold autonomously from the assets to which it relates, IAS 36 requires its recoverable amount to be verified on a residual basis, by determining the cash flows generated by a set of assets making up the business unit to which it belongs: the cash generating unit (CGU).

The analysis in question was conducted on the basis of the cash flows reflected in the Company's 2017-2020 Business Plan (approved by the Board of Directors on 28 March 2017) and the best available information.

The documents used to carry out the impairment test reflect the best estimates that could be made with respect to the main assumptions at the basis of company operations (macro-economic performance, business development assumptions). These assumptions and the corresponding financials were deemed suitable to conduct the impairment test by the LVenture Group Board of Directors, which approved the relative results on 28 March 2017.

In this regard, please recall that IAS 36 defines the recoverable amount as the higher of the fair value of an asset or a cash generating unit, less costs to sell, and its value in use. The recoverable amount pursuant to IAS 36 was estimated with reference to the value in use, i.e., the present value of future cash flows that the Company expects from the asset, calculated as specified below.

This being said regarding the identification of the CGUs, note that the value in use of invested capital recognised in the financial statements at 31 December 2016 was determined based on the following aspects:

- cash flows as set forth in the 2017-2020 Business Plan for the Acceleration business line;
- use of the pre-tax Unlevered Discounted Cash Flow method;
- determination of a gross "market base" discount rate, i.e., determination of the pre-tax WACC;
- exclusion, as required by IAS 36, of the future cash inflows or outflows potentially deriving from future company restructurings, improvements or optimisations of business performance, other than those linked to the normal course of business.

The WACC was calculated as 20.17% on the basis of the following primary assumptions:

- calculating the average (levered) "beta" parameter at 1.377, on the basis of Company data (source: Bloomberg, monthly calculation frequency);
- applying a risk-free interest rate of 2.23%, represented by the yield on 10-year Italian treasury bonds which, as such, already includes the "country risk" component; in this case, the average yields of the last 3 auctions at the end of the month were considered with respect to the date of impairment testing, due to the high volatility of rates on Italian government bonds: the use of the quarterly average made it possible to reduce the effect of this volatility;
- applying a "market risk premium" of 7.95%, on the basis of studies on the average yield spread of the stock markets with respect to the risk free rate (Damodaran 2017 update);

- considering a pre-tax cost of debt capital of 5.27%, the future impact of debt was assumed to be 20%, as shown in the 2017-20 Business Plan;
- the tax rate applied to determine the WACC gross of tax was 28%, and was estimated on the basis of the tax rates currently expected taking into account a share of minimal non-deductible costs on a permanent basis.

The results of the impairment testing conducted are shown below (€ thousands):

CGU	Goodwill	Investments	Total	Value in use	Surplus
Acceleration	67	167	234	1,124	890

11. AVAILABLE-FOR-SALE SECURITIES AND EQUITY INVESTMENTS

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Other equity investments	8,901	7,003	6,343
Total	**8,901**	**7,003**	**6,343**

“Other equity investments” includes:

(€ thousands)	Prog. No./year	Seed (S) / Microseed (MS) / Liquidated (L)	FVH	% Investment at 31-Dec-2016	Value at 31-Dec-15	Increases	(Decreases)	Impairment losses	Revaluation/Impairment loss at fair value	Value at 31-Dec-16
Interactive Project	P 1 - 2011	S	Lev. 3	7.78%	156	0	0	0	43	198
Next Styler - in liquidation	P 1 - 2011	L	Lev. 3	0.00%	52	0	0	-312	261	0
Cocontest Inc	P 2 - 2012	S	Lev. 3	10.69%	183	107	0	0	308	597
Pubster	P 2 - 2012	S	Lev. 3	8.63%	30	0	0	0	0	30
BaasBox	P 3 - 2013	S	Lev. 3	14.81%	130	0	0	0	0	130
Gamepix	P 3 - 2013	S	Lev. 3	20.58%	472	0	0	0	0	472
Le Cicogne	P 3 - 2013	S	Lev. 3	14.27%	75	25	0	0	81	181
Spotonway	P 4 - 2013	S	Lev. 3	12.42%	276	0	0	0	-116	160
Thingarage - in liquidation	P 4 - 2013	L	Lev. 3	0.00%	30	0	0	-60	30	0
wineOwine	P 4 - 2013	S	Lev. 3	15.94%	503	100	0	0	0	603
Snapback	P 4 - 2013	S	Lev. 3	8.75%	175	0	0	0	-120	55
Filo	P 5 - 2014	S	Lev. 3	14.26%	285	0	0	0	0	285
Tiassisto24	P 5 - 2014	S	Lev. 3	14.09%	190	0	0	0	-55	135
Tutored	P 5 - 2014	S	Lev. 3	10.85%	330	0	0	0	5	335
Whoosnap	P 5 - 2014	S	Lev. 3	12.85%	321	0	0	0	0	321
Brave Potions	P 6 - 2015	S	Lev. 3	10.91%	95	0	0	0	-4	91
Moovenda	P 6 - 2015	S	Lev. 3	13.85%	267	121	0	0	126	514
Nextwin	P 6 - 2015	S	Lev. 3	12.01%	168	0	0	0	0	168
Sync - Majeeko	P 6 - 2015	S	Lev. 3	13.12%	251	0	0	0	0	251
Verticomics	P 6 - 2015	S	Lev. 3	14.79%	160	0	0	0	76	236
Voverc	P 6 - 2015	S	Lev. 3	13.13%	217	0	0	0	0	217
KPI6	P 7 - 2015	S	Lev. 3	16.03%	48	162	0	0	123	333
Lisari - Karaoke One	P 7 - 2015	S	Lev. 3	16.58%	48	162	0	0	97	307
Babaiola	P 8 - 2016	S	Lev. 3	9.35%	0	100	0	0	0	100
Lexiqa Ltd	P 8 - 2016	S	Lev. 3	5.00%	0	15	0	0	0	15
ACDQ - Dynamitick	P 8 - 2016	S	Lev. 3	11.53%	0	155	0	0	35	190

(€ thousands)	Prog. No./year	Seed (S) / Microseed (MS) / Liquidated (L)	FVH	% Investment at 31-Dec-2016	Value at 31-Dec-15	Increases	(Decreases)	Impairment losses	Revaluation/Impairment loss at fair value	Value at 31-Dec-16
FitPrime - Checkmoov	P 8 - 2016	S	Lev. 3	13.56%	0	180	0	0	57	237
Manet Mobile Solutions	P 8 - 2016	S	Lev. 3	7.34%	0	100	0	0	0	100
Remoria VR	P 9 - 2016	S	Lev. 3	12.55%	0	180	0	0	-37	143
Qurami	ID 2011	S	Lev. 3	18.16%	452	0	0	0	13	465
Risparmio Super	ID 2011	S	Lev. 3	2.50%	127	0	0	0	-27	100
Bulsara Advertising - in liq.	ID 2012	L	Lev. 3	0.00%	53	0	0	-53	0	0
Atooma	ID 2012	S	Lev. 3	13.49%	314	0	0	0	0	314
Soundreef	ID 2012	S	Lev. 3	11.46%	437	50	0	0	406	893
Codemotion	ID 2013	S	Lev. 3	10.00%	60	0	0	0	0	60
Netlex	ID 2014	S	Lev. 3	0.00%	49	0	-49	0	0	0
Drexcode	ID 2014	S	Lev. 3	8.02%	87	0	0	0	0	87
RB More (Re-Bello)	ID 2015	S	Lev. 3	14.00%	300	0	0	0	0	300
Club Acceleratori	ID 2016	S	Lev. 3	2.92%	0	215	0	0	0	215
Startup Bootcamp FoodTech	ID 2016	S	Lev. 3	12.30%	0	60	0	0	0	60
Total					**6,343**	**1,732**	**-49**	**-425**	**1,300**	**8,901**

As regards the valuation of the individual startups at Fair Value Level 3, the parameters applied are reported below:

(€ thousands)	METHOD	Last Share Capital Increase	Non-Controlling Interests	% Investment at 31-Dec-2016	Valuation for 100% of the startup	Cumulative investment at 31-Dec-16	Fair Value Reserve	Value at 31-Dec-16
Babaiola	Market	23/02/16	yes	9.35%	1,070	100	0	100
Cocontest Inc	Market	09/09/16	yes	10.69%	5,588	212	385	597
Dynamitick	Market	02/08/16	yes	11.53%	1,650	155	35	190
FitPrime - Checkmoov	Market	03/08/16	yes	13.56%	1,750	180	57	237
Interactive Project	Market	29/07/16	yes	7.78%	2,549	156	43	198
KPI6.com	Market	01/03/16	yes	16.03%	2,079	210	123	333

(€ thousands)	METHOD	Last Share Capital Increase	Non-Controlling Interests	% Investment at 31-Dec-2016	Valuation for 100% of the startup	Cumulative investment at 31-Dec-16	Fair Value Reserve	Value at 31-Dec-16
Le Cicogne	Market	20/07/16	yes	14.27%	0	100	81	181
Lexiqa Ltd	Market	18/04/16	yes	5.00%	300	15	0	15
Lisari - Karaoke One	Market	02/03/16	yes	16.58%	1,850	210	97	307
Manet Mobile Solutions	Market	04/08/16	yes	7.34%	1,362	100	0	100
Moovenda	Market	13/12/16	yes	13.85%	3,708	281	232	514
Nextwin	Market	29/07/15	yes	12.01%	1,400	110	58	168
Qurami	Market	05/07/16	yes	18.16%	2,560	446	19	465
Remoria VR	Market	20/12/16	yes	12.55%	2,250	180	-37	143
Soundreef	Market	22/07/16	yes	11.46%	7,790	398	495	893
Tutored	Market	30/11/16	yes	10.85%	3,090	180	155	335
Verticomics	Market	19/01/16	yes	14.79%	1,595	160	76	236
Voverc	Market	25/01/16	yes	13.13%	1,655	135	82	217
Whoosnap	Market	21/12/15	yes	12.85%	2,500	160	161	321
wineOwine	Market	23/12/15	yes	15.94%	3,785	250	353	603
Atooma	Previous FV	n.a.	n.a.	13.49%	2,330	111	204	314
Brave Potions	Previous FV	n.a.	n.a.	10.91%	1,230	95	-4	91
Codemotion	Previous FV	n.a.	n.a.	10.00%	600	60	0	60
Filo	Previous FV	n.a.	n.a.	14.26%	2,000	160	125	285
Gamepix	Previous FV	n.a.	n.a.	20.58%	8,900	310	162	472
RB More (Re-Bello)	Previous FV	n.a.	n.a.	14.00%	2,143	250	50	300
Sync - Majeeko	Previous FV	n.a.	n.a.	13.12%	1,915	180	71	251
BaasBox	Cost	n.a.	n.a.	14.81%	878	130	0	130
Club Acceleratori	Cost	n.a.	n.a.	2.92%	7,370	215	0	215
Drexcode	Cost	n.a.	n.a.	8.02%	1,085	87	0	87
Pubster	Cost	n.a.	n.a.	8.63%	353	31	0	30
Risparmio Super	Cost	n.a.	n.a.	2.50%	4,000	100	0	100
Snapback	Cost	n.a.	n.a.	8.75%	629	55	0	55
Spotonway	Cost	n.a.	n.a.	12.42%	1,289	160	0	160
Startup Bootcamp FoodTech	Cost	12/05/16	yes	12.30%	488	60	0	60

(€ thousands)	METHOD	Last Share Capital Increase	Non-Controlling Interests	% Investment at 31-Dec-2016	Valuation for 100% of the startup	Cumulative investment at 31-Dec-16	Fair Value Reserve	Value at 31-Dec-16
Tiassisto24	Cost	n.a.	n.a.	14.09%	958	135	0	135
Total					**85,963**	**5,876**	**3,025**	**8,901**

The valuation of the individual startups is classified in fair value level 3, with the following general rules:

a. in the presence of a significant share capital increase (fully subscribed and paid up), or another transaction on the share capital of the startup in which there are third-party investors to a relevant extent, the post-money valuation is used as an indicator of a market value of the startup;
b. in the presence of a share capital increase, or another transaction on the share capital of the startup not completely finalised or which takes place in tranches in which there are third-party investors not complying with the previous clauses pursuant to point a), the pre-money valuation is used plus the cash inflows paid in at the cut-off date, as an indicator of a market value of the startup;
c. if in the last 12 months no transaction took place on the share capital and there are no negative performance indicators, the previous valuation is maintained;
d. in the previous case and if there are negative performance indicators, the startup is valued at cost or at a value lower than cost on the basis of the possibility for the Company to recover its investment.

The above-mentioned valuation parameters may change, including significantly, due to the conditions at which similar transactions may close in the future.

At 31 December 2016, the fair value is equal to €8,901 thousand.

Alternative Performance Indicator (API) of the Portfolio

In addition, in order to illustrate Portfolio performance to stakeholders, it was deemed important to supplement the financial reporting with an Alternative Performance Indicator (API) which represents the Portfolio value on the basis of the most recent capital transactions taking place in the reference period, also considering the issue of hybrid financial instruments. Please note that although this indicator represents a Portfolio valuation approach which is more in line with sector best practices, it does not replace IAS/IFRS valuation criteria. This valuation is used by the Company to monitor Portfolio trends and to allow for a comparison with competitors.

The Company determines the alternative performance indicator as follows:

a. in the presence of any share capital increase (fully subscribed and paid up, even partially, but with the obligation to pay) in which there are third-party investors, the post-money valuation is used as an indicator of a market value of the startup;

b. in the presence of a share capital increase, or another transaction on the share capital of the startup not completely finalised or which takes place in tranches or another transaction on the startup's share capital (also including the issue of convertible debt financial instruments) in which there are third-party investors not complying with the previous clauses, the pre-money valuation is used plus the cash inflows paid in at the cut-off date, as an indicator of a market value of the startup;

c. if in the last 12 months no transaction took place on the share capital and there are no negative performance indicators, the previous valuation is maintained;

d. in the previous case and if there are negative performance indicators, the startup is valued at cost or at a value lower than cost on the basis of the possibility for the Company to recover its investment.

At 31 December 2016, the API value is equal to €11,107 thousand.

(€ thousands)	METHOD	Last Share Capital Increase	Non-Controlling Interests	% Investment at 31-Dec-2016	Valuation for 100% of the startup	API value at 31-Dec-16	API value at 31-Dec-15
Babaiola	Market	23/02/16	yes	9.35%	1,070	100	0
Cocontest Inc	Market	09/09/16	yes	10.69%	5,588	597	263
Dynamitick	Market	02/08/16	yes	11.53%	1,650	190	0
FitPrime - Checkmoov	Market	03/08/16	yes	13.56%	1,750	237	0
Interactive Project	Market	29/07/16	yes	7.78%	2,549	198	156
KPI6.com	Market	01/03/16	yes	16.03%	2,079	333	48
Le Cicogne	Market	20/07/16	yes	14.27%	1,830	261	75
Lexiqa Ltd	Market	18/04/16	yes	5.00%	300	15	0
Lisari - Karaoke One	Market	02/03/16	yes	16.58%	1,850	307	48
Manet Mobile Solutions	Market	04/08/16	yes	7.34%	1,362	100	0
Moovenda	Market	13/12/16	yes	13.85%	4,130	572	267
Nextwin	Market	29/07/15	yes	12.01%	1,400	168	168
Qurami	Market	05/07/16	yes	18.16%	3,200	581	482
Remoria VR	Market	20/12/16	yes	12.55%	2,250	282	0
Soundreef	Market	22/07/16	yes	11.46%	7,790	893	437
Tutored	Market	30/11/16	yes	10.85%	6,090	661	330
Verticomics	Market	19/01/16	yes	14.79%	1,595	236	236
Voverc	Market	25/01/16	yes	13.13%	1,655	217	217
Whoosnap	Market	21/12/15	yes	12.85%	2,500	321	321
wineOwine	Market	23/12/15	yes	15.94%	3,785	603	503
Atooma	Previous FV	n.a.	n.a.	13.49%	2,435	328	328
Brave Potions	Previous FV	n.a.	n.a.	10.91%	1,230	134	134
Codemotion	Previous FV	n.a.	n.a.	10.00%	600	60	60
Filo	Previous FV	n.a.	n.a.	14.26%	2,000	285	285
Gamepix	Previous FV	n.a.	n.a.	20.58%	8,900	1,832	1,832
RB More (Re-Bello)	Previous FV	n.a.	n.a.	14.00%	2,143	300	300
Sync - Majeeko	Previous FV	n.a.	n.a.	13.12%	1,915	251	251
BaasBox	Cost	n.a.	n.a.	14.81%	878	130	130

(€ thousands)	METHOD	Last Share Capital Increase	Non-Controlling Interests	% Investment at 31-Dec-2016	Valuation for 100% of the startup	API value at 31-Dec-16	API value at 31-Dec-15
Club Acceleratori	Cost	n.a.	n.a.	2.92%	7,370	215	0
Drexcode	Cost	n.a.	n.a.	8.02%	1,947	156	145
Pubster	Cost	n.a.	n.a.	8.63%	353	30	30
Risparmio Super	Cost	n.a.	n.a.	2.50%	4,000	100	127
Snapback	Cost	n.a.	n.a.	8.75%	629	55	175
Spotonway	Cost	n.a.	n.a.	12.42%	1,289	160	276
Startup Bootcamp FoodTech	Cost	12/05/16	yes	12.30%	488	60	0
Tiassisto24	Cost	n.a.	n.a.	14.09%	958	135	190
Bulsara Advertising - in liquidation					0	0	53
Netlex - equity investment sold					0	0	49
Next Styler - in liquidation					0	0	52
Thingarage - in liquidation					0	0	30
					91,558	**11,107**	**7,999**

The transactions carried out in 2016 are summarised below:

(€ thousands)	Transaction type	Period	Origin	Commitments during the period	Disbursed in the period	% at 31/12/2016	Conditional commitment	Unconditional commitment
STARTUPS IN THE PORTFOLIO								
CoContest Inc	Convertible	Jul	P 2 - 2012	46	46	10.69%		
Le Cicogne	Cap. inc.	Jul	P 2 - 2012	25	25	14.27%		
Moovenda	Cap. inc.	Apr-Sep	P 6 - 2015	121	121	13.85%		
Karaoke 1	Acceleration	Jan	P 7 - 2015	12	162	16.58%		
	Cap. inc.	Mar-Sep		150				
KPI6	Acceleration	Jan	P 7 - 2015	12	162	16.03%		
	Cap. inc.	Mar		150				

(€ thousands)	Transaction type	Period	Origin	Commitments during the period	Disbursed in the period	% at 31/12/2016	Conditional commitment	Unconditional commitment
Social Academy	Cap. inc.	Dec	ID 2017	90		-		90
Soundreef	Cap. inc.	Jun-Sep	ID 2012	50	50	11.46%		
Tutored	Cap. inc.	Nov	P 5 - 2014	100		10.85%		100
Whoosnap	Cap. inc.	Dec	P 5 - 2014	50		12.85%		50
wineOwine	Cap. inc.	Feb-Jun	P 4 - 2013	100	100	15.94%		
NEW STARTUPS								
Babaiola	Acceleration	Feb	P 8 - 2016	100	100	9.35%		
BeMyGuru	Acceleration	Mar-Jun	P 8 - 2016	80	80	PFI		
CheckMoov	Acceleration	Mar-Jun	P 8 - 2016	80	180	13.56%		
	Cap. inc.	Aug-Sep		100				
Crowdbooks	Acceleration	Apr-Jun	P 8 - 2016	80	80	Write Off		
Dynamitik	Acceleration	Apr-Jun	P 8 - 2016	80	155	11.53%		
	Cap. inc.	Aug		75				
Fairbooks	Acceleration	Mar-Jul	P 8 - 2016	95	95	PFI		
Lexiqa	Acceleration	Jun	P 8 - 2016	15	15	5%		
Oreegano	Acceleration	Mar-Jun	P 8 - 2016	85	85	Write Off		
Ambiens VR	Acceleration	Jul-Nov	P 9 - 2016	80	80	PFI		
Direttoo	Acceleration	Jul-Dec	P 9 - 2016	80	80	PFI		
DonApp	Acceleration	Oct-Nov	P 9 - 2016	50	50	PFI		
Yakkyo	Acceleration	Sep-Nov	P 9 - 2016	80	80	PFI		
Manet	Acceleration	Aug-Nov	P 9 - 2016	100	100	7.34%		
Remoria VR	Acceleration	Jul-Dec	P 9 - 2016	80	180	12.55%	20	
	Cap. inc.	Dec		120				
Scuter	Crowdfunding	Dec	ID 2017	30		-	30	
Total				**2,316**	**2,027**		**50**	**240**

(€ thousands)	Period	Origin	Commitments during the period	Disbursed in the period	% at 31/12/2016	Conditional commitment	Unconditional commitment
OTHER TRANSACTIONS							
Club Acceleratori	Jan	ID 2016	215	215	2.92%		
StartupBootCamp	May-Oct	ID 2016	60	60	12.30%		
Total			**275**	**275**		**-**	**-**
TOTAL			**2,591**	**2,302**		**50**	**240**

The table below indicates the level of investment in Portfolio startups by members of the LVenture Group Board of Directors:

	Director	Transaction validated by the Control and Risk and Related Party Transactions Committee	% Investment at 31-Dec-2016
BravePotions	Valerio Caracciolo (Director)	no	1.62%
CoContest Inc.	Stefano Pighini (Chairman)	no	1.58%
CoContest Inc.	Valerio Caracciolo (Director)	no	1.35%
Interactive Project	Stefano Pighini (Chairman)	no	0.54%
Moovenda	Valerio Caracciolo (Director)	no	0.92%
Verticomics	Valerio Caracciolo (Director)	no	0.94%
Manet Mobile Solutions	Roberto Magnifico (Director)	no	0.73%

12. RECEIVABLES AND OTHER NON-CURRENT ASSETS

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Receivables from ZMV	175	175	175
Special type of convertible notes and convertible shareholder loans	393	127	127
Total	**568**	**302**	**302**

Details of receivable from ZMV totalling €175 thousand, for indirect equity investments, are provided below:

(€ thousands)	Seed (S)	% Investment at 31-12-2016	Investment at 31/12/2016
Paperlit	*S*	0.90%	25
Risparmio Super	*S*	4.76%	150
Total			**175**

Non-current financial assets include special type of convertible notes and convertible shareholder loans; the details of these items and changes during the year are provided below:

(€ thousands)	Programme / year of acceleration	Instrument	31-Dec-15	Increases	Decreases due to conversion	Write-downs	31-Dec-16
Cocontest		Loan	64	46	-110	0	0
Drexcode		Loan	63	0	0	0	63
SpotonWay		Loan	0	0	0	0	0
ACDQ - Dynamitick	P 8 - 2016	PFI	0	80	-80	0	0
Bemyguru	P 8 - 2016	PFI	0	80	0	-40	40
Fairbooks	P 8 - 2016	PFI	0	95	0	-95	0
FitPrime - Checkmoov	P 8 - 2016	PFI	0	80	-80	0	0
N2O - Crowdbooks - LIQUIDATED	P 8 - 2016	PFI	0	80	0	-80	0
Oreegano	P 8 - 2016	PFI	0	85	0	-85	0
Ambiens VR	P 9 - 2016	PFI	0	80	0	0	80
Donapp srl	P 9 - 2016	PFI	0	50	0	0	50
GODIRETTI	P 9 - 2016	PFI	0	80	0	0	80
Remoria VR	P 9 - 2016	PFI	0	80	-80	0	0
Yakkyo	P 9 - 2016	PFI	0	80	0	0	80

(€ thousands)	Programme / year of acceleration	Instrument	31-Dec-15	Increases	Decreases due to conversion	Write-downs	31-Dec-16
Total			**127**	**916**	**-350**	**-300**	**393**

Lastly, the Company has call options in place in the various investment agreements with the startups, which provide the Company with the right to invest at a discount in the startups' subsequent share capital increases. These options are not currently valued as it is not possible to determine their fair value in a sufficiently reliable manner.

13. DEFERRED TAX ASSETS

Deferred tax assets deriving from tax losses relating to EnLabs were recognised following the merger. These deferred tax assets were recognised in the subsidiary's financial statements as the conditions required by the accounting standards for the recognition of the future tax benefit were met.

It was verified that on the basis of the 2017-20 Business Plan it was justified to maintain the recognition of these deferred tax assets.

The tax losses carried forward are specified in their entire amount below:

(€ thousands)	Tax losses	IRES at 24%	Recognised in the Financial Statements
Tax losses year 2006	479	115	0
Tax losses year 2007	918	220	0
Tax losses year 2008	978	235	0
Tax losses year 2009	803	193	0
Tax losses year 2010	437	105	15
Tax losses year 2011	391	94	31
Tax losses year 2012	380	91	15
Tax losses year 2013	1,135	272	118
Tax losses year 2014	860	206	15
Tax losses year 2015	1,187	285	47
Tax losses year 2016*	1,217	292	0
Total	**8,785**	**2,108**	**241**

14. TRADE RECEIVABLES

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Trade receivables	690	55	199
Total	**690**	**55**	**199**

The growth in the balance of Trade receivables at 31 December 2016 with respect to the previous year is directly correlated with the increase in revenues in the second half of 2016. Trade receivables are measured at fair value and were adjusted to their assumed realisable value. These receivables all mature within 12 months.

15. OTHER CURRENT FINANCIAL ASSETS

(€ thousands)	Post-Merger 31-Dec-16	Separate 31-Dec-15	Pro-Forma 31-Dec-15
Current financial assets	135	0	0

(€ thousands)	Post-Merger 31-Dec-16	Separate 31-Dec-15	Pro-Forma 31-Dec-15
Total	**135**	**0**	**0**

This item includes:

- receivables of €126 thousand for the disposal of the equity investment in Netlex, to be collected by the end of the first half of 2017;
- security deposits of €2.5 thousand received from co-workers;
- other receivables of €6 thousand.

16. OTHER RECEIVABLES AND CURRENT ASSETS

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Other receivables and current assets	330	66	174
Total	**330**	**66**	**174**

The breakdown of *Other current assets* is shown below:

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Financial receivables	0	0	0
Tax receivables	188	63	65
Receivables from others	65	3	67
Accrued income and prepayments	78	0	42
Total	**330**	**66**	**174**

Tax receivables are represented by the balance at 31 December 2016 of the Company's VAT credit.

17. CASH AND CASH EQUIVALENTS

(€ thousands)	Post-Merger 31-Dec-16	Separate 31-Dec-15	Pro-Forma 31-Dec-15
Cash	0	0	0
Sight deposits	1,621	363	632
Highly liquid short-term financial investments	0	500	500
Total	**1,621**	**863**	**1,132**

Cash and cash equivalents refer primarily to the positive balances of bank current accounts at the date of year-end close. Liquid funds are deposited at Banca Popolare di Sondrio.

18. SHAREHOLDERS' EQUITY

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Share capital	8,445	6,425	6,425
Share premium reserves	1,842	1,111	1,108
Other reserves	2,989	1,725	1,726
Profit (loss) carried forward	-510	0	-352
Net profit (loss) for the period	-1,899	-1,079	-1,234
Total	**10,867**	**8,182**	**7,673**

Details of the items making up shareholders' equity are provided below. Please refer to the statement of changes in shareholders' equity for details on changes in the course of the year.

18.1. Classification of reserves

Nature / Description *(€ thousands)*	Amount	Possibility of use (*)	Available portion	Uses in the previous 3 years to cover losses	Uses in the previous 3 years for other reasons
Share capital	**8,445**		**7,878**	**-3,139**	**0**
Share premium reserve	1,842	A, B, C	0	0	0
Legal reserve	0	B	0	0	0
Fair Value Reserve	2,989		0	0	0
Other reserves	0	A, B, C	0	0	0
Total	**13,276**		**7,878**	**-3,139**	**0**
Non-distributable portion	2,409				
Remaining distributable portion	**10,867**				

(*) A: for share capital increase; B: to cover losses; C: for distribution to shareholders.

18.2. Share capital

(€ thousands)	**31-Dec-16**	**31-Dec-15**	**Pro-Forma 31-Dec-15**
Share capital	8,445	6,425	6,425
Total	**8,445**	**6,425**	**6,425**

On **2 February 2016**, the LVenture Group Extraordinary Shareholders' Meeting passed resolutions:

i) to approve the proposed share capital increase for a maximum of €4,990,000, inclusive of any share premium, in tranches and against payment, through the issue of ordinary dematerialised shares, with no nominal value, with the same characteristics as those outstanding and with regular entitlement, to be offered under option to the Company's Shareholders pursuant to art. 2441, paragraph 1 of the Italian Civil Code;
ii) to schedule the final deadline of 31 December 2016 for executing the above-mentioned share capital increase and to establish, pursuant to art. 2439, paragraph 2, of the Italian Civil Code, that if not fully subscribed the share capital increase would be limited to the amount resulting from the subscriptions made by that deadline;
iii) to grant to the Board of Directors all of the most extensive powers to:
    a. define, near the launch of the offer under option, the final amount of the share capital increase;
    b. determine - as a result of what is set forth under point a) - the number of newly issued shares and the issue price (inclusive of any share premium), taking into account, inter alia, in order to set the latter, the market conditions in general and the security performance, and considering market practice for similar operations;
    c. determine the timing for the execution of the share capital increase resolution, in particular to launch the offer of rights under option, as well as the subsequent offer in the stock exchange of any rights that remain unopted at the end of the subscription period, in keeping with the final deadline of 31 December 2016.

On **14 June 2016**, the Company's Board of Directors approved the final terms of this increase (the "Offer under Option"), passing a resolution:

(i) to increase the share capital, against payment and in tranches, for a maximum of €4,987,451.39 with the issue of up to 9,741,116 new ordinary shares with no nominal value and with regular entitlement (the "New Shares"), to be offered under option to the Shareholders at a price per share of €0.512 (of which €0.256 for the share premium); the Offer under Option is addressed to all holders of the Company's ordinary shares, in proportion with the investment held by each, with a subscription ratio of 11 New Shares for every 20 LVenture Group ordinary shares held;

(ii) that the option rights could be exercised between 20 June 2016 and 7 July 2016 (inclusive) (the "Option Period") and that the same rights could be traded in the stock exchange in the period between 20 June 2016 and 1 July 2016 (inclusive).

The offer under option period began on **20 June 2016** and was concluded on **19 July 2016**: overall, at the end of the Offer Period and the Stock Exchange Offer, 14,343,444 option rights were exercised and therefore 7,888,894 New Shares were subscribed, equal to roughly 81% of all New Shares, for an equivalent value of €4,039,114.

The majority shareholder LV.EN. Holding S.r.l. subscribed 3,515,626 New Shares, equal to 44.56% of all New Shares subscribed.

The certification that the share capital increase had been completed pursuant to article 2444 of the Italian Civil Code was filed with the Rome Business Register on 27 July 2016.

At 31 December 2016, the share capital of the Company was equal to €8,445 thousand, broken down as follows:

Shares/Units	*31-Dec-2016 Number*	*31-Dec-2015 Number*	*Nominal value*
Ordinary	25,600,014	17,711,120	*none*
Preferred	0	0	-
Savings	0	0	-
Units	0	0	-
Total	**25,600,014**	**17,711,120**	

The Company held no treasury shares on the date on which the Financial Statements were prepared.

18.3. Share premium reserve

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Share premium reserve	1,842	1,111	1,108
Total	**1,842**	**1,111**	**1,108**

The reserve includes the amount allocated to the share premium reserve defined upon the issue of shares, net of expenses incurred during the share capital increase.

18.4. Other reserves, measurement of equity investments at fair value and profit (loss) carried forward

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Other reserves	0	0	0
Other reserves - Reval. Equity investments at fair value	2,989	1,725	1,726
Profit (loss) prev. years	-510	0	-352
Total	**2,479**	**1,725**	**1,374**

Changes in the Fair Value Reserve are shown below:

(€ thousands)			Pro-Forma

	31-Dec-16	31-Dec-15	31-Dec-15
Opening balance	1,726	828	828
Measurement at fair value	1,009	898	898
Change in the reserve due to disposal/liquidation of equity investments	291	0	0
Change in the reserve due to assessment of deferred tax provision	-36	0	0
Total	**2,989**	**1,726**	**1,726**

19. NON-CURRENT PAYABLES TO BANKS

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Non-current payables to banks	656	0	446
Total	**656**	**0**	**446**

Non-current payables to banks include:

- the residual payable on the €352 thousand mortgage loan taken out from Banca Popolare di Sondrio with the guarantee of Banca del Mezzogiorno - Mediocredito Centrale. The unsecured loan for a total of €500 thousand was disbursed in full in May 2015, with a floating interest rate of 3.75% and a five-year repayment plan. The instalments falling due in 1/1/2017 -31/12/2017 amount to €98 thousand, including principal and interest;
- the loan disbursed based on work in progress equal to €304 thousand on the loan taken out from Intesa San Paolo with the guarantee of Banca del Mezzogiorno - Mediocredito Centrale. The unsecured loan was approved on 07/06/2016 in the total amount of €430 thousand, and was disbursed in 4 tranches based on work in progress between 2016 and 2017. The five-year repayment plan envisages that the principal instalments will begin 90 days after the last request for use of the remaining amount, and a fixed rate of 3% plus a floating rate equal to the 6-month Euribor will be applied as the spread.

20. OTHER NON-CURRENT LIABILITIES

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Other non-current liabilities	33	0	33
Total	**33**	**0**	**33**

Other *Non-current liabilities* include the pre-financing equal to €30 thousand obtained as part of the Grant Agreement for participation in the European "Digital Twist" (Transregional Web Innovative Services for Thriving Digital and Mobile Entrepreneurship) programme.

21. TRADE AND OTHER PAYABLES

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Trade payables	1,043	165	353
Total	**1,043**	**165**	**353**

Trade payables refer to the amount accrued during the year for the following items:

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Board of Statutory Auditors	29	9	9
Directors' fees	0	0	0

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Regulatory	0	0	0
Investor Relator	0	0	0
Internal Audit / Supervisory Board	12	12	12
Independent Auditors	8	2	2
Personnel	0	32	26
Suppliers	977	93	265
Others	17	17	39
Total	**1,043**	**165**	**353**

The growth in trade payables is directly associated with costs relating to the larger spaces and the relative purchases of capitalisable assets in the last months of the year.

22. DEFERRED TAX LIABILITIES

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Deferred tax liabilities	36	0	0
Total	**36**	**0**	**0**

Deferred tax liabilities are calculated with respect to amounts recognised in the Fair Value Reserve.

23. TAX PAYABLES

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
IRAP payables	3	0	21
IRES/IRPEF payables	38	0	0
Total	**41**	**0**	**21**

Tax payables include the balance at 31 December 2016 of the IRAP payable and the IRPEF/IRES tax payables on behalf of employees and professionals. The latter were paid to the tax authorities in January 2017.

24. OTHER CURRENT LIABILITIES

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Other current payables	326	19	44
Total	**326**	**19**	**44**

Other current liabilities consist of:

- €42 thousand in payables to employees for holidays accrued but not used and wages to be paid;
- €33 thousand for payables to social security institutions for accidents in the workplace paid in January 2017;
- €250 thousand for deferred income.

25. REVENUES AND OTHER INCOME

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Revenues for rental of co-working workstations	256	0	164	256	92

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Revenues for Acceleration Programme services	554	0	289	554	265
Open Innovation revenues	495	60	60	435	435
External networking revenues	64	67	67	-3	-3
Events revenues	29	0	57	29	-28
Sponsorship revenues	199	0	77	199	122
Training course revenues	0	136	144	-136	-144
Other revenues	151	4	71	147	80
Total	**1,749**	**267**	**929**	**1,482**	**820**

Other revenues includes government grants of €42 thousand relating to the Grant Agreement for participation in the European "Digital Twist" (Transregional Web Innovative Services for Thriving Digital and Mobile Entrepreneurship) programme. These grants are recognised using the income method, with revenues recorded when there is substantial certainty of the right to collect the grants.

26. COSTS FOR SERVICES

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Board of Statutory Auditors	-47	-32	-36	*-15*	*-11*
Directors' fees	-274	-106	-299	*-168*	*25*
Corporate officer in charge of preparing the accounting documents	0	-9	-9	*9*	*9*
Investor Relator	-30	-46	-46	*16*	*16*
Professional consulting	-478	-209	-344	*-269*	*-134*
Legal consulting	-61	-78	-78	*17*	*17*
Notary services	-24	-6	-6	*-18*	*-18*
Services correlated with stock exchange listing	-61	-51	-51	*-10*	*-10*
Independent Auditors	-35	-18	-27	*-17*	*-8*
Other	-220	-151	-197	*-69*	*-23*
Total	**-1,232**	**-706**	**-1,093**	***-526***	***-139***

Costs for services changed mainly as follows:

- fees to the Board of Statutory Auditors changed following the re-appointment approved by the Shareholders' Meeting of 29 April 2016;
- professional consulting includes costs for the use of external professionals to cover temporarily unfilled positions.

27. PERSONNEL COSTS

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Personnel costs	-789	-412	-629	*-377*	*-160*
Total	**-789**	**-412**	**-629**	***-377***	***-160***

The Company hires employees and also relies on the support of collaboration agreements. This item of €789 thousand includes the cost of personnel on staff at 31 December 2016.

Headcount	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15
Executives	1	1	1
Middle Managers	1	0	0
Employees	20	7	12
TOTAL EMPLOYEES	**22**	**8**	**13**
FREELANCE COLLABORATORS	**15**	**9**	**13**
GRAND TOTAL	**37**	**17**	**26**
Average employees during the year	***15.8***	***6.7***	***11.7***

28. OTHER OPERATING COSTS

Details of other operating costs are shown below:

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Rent	-527	-37	-145	*-490*	*-382*
Stationery and printed materials	-22	-15	-28	*-7*	*6*
Other operating expenses	-225	-94	-182	*-131*	*-43*
Total	**-774**	**-146**	**-355**	***-628***	***-419***

The increase in rent payable was due to the transfer to the new spaces as of 1 June 2016.

29. AMORTISATION/DEPRECIATION AND IMPAIRMENT LOSSES ON ASSETS

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Depreciation and impairment losses on assets	-64	-1	-19	*-63*	*-45*
Amortisation of intangible assets	-8	0	0	*-8*	*-8*
Total	**-72**	**-1**	**-19**	***-71***	***-53***

30. PROVISIONS AND WRITE-DOWNS

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Provisions and write-downs	-19	0	-17	*-19*	*-2*
Total	**-19**	**0**	**-17**	***-19***	***-2***

31. VALUE ADJUSTMENTS ON EQUITY INVESTMENTS

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Value adjustments on equity investments	-725	-85	-85	*-640*	*-640*
Total	**-725**	**-85**	**-85**	***-640***	***-640***

The item value adjustments on equity investments includes write-offs on the following startups:

- €312 thousand relating to NextStyler, following the company's entry into the liquidation procedure;

- €60 thousand relating to Thingarage, following the company's entry into the liquidation procedure;
- €53 thousand relating to Bulsara Advertising, following the company's entry into the liquidation procedure;
- €80 thousand relating to Crowdbooks, following the Company's decision not to convert the PFI;
- €85 thousand relating to Oreegano, following the Company's decision not to convert the PFI;
- €95 thousand relating to Fairbooks, following the Company's decision not to convert the PFI;
- €40 thousand relating to Bemyguru, following the Company's precautionary decision to recognise a value reduction of 50% of the PFI.

32. FINANCIAL INCOME

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Financial income	4	11	12	*-7*	*-8*
Total	**4**	**11**	**12**	***-7***	***-8***

The item includes interest income on current accounts.

33. REVENUES FROM EXITS

(€ thousands)	Post-Merger 31-Dec-16	Separate 31-Dec-15	Pro-Forma 31-Dec-15	*Separate Change*	*Pro-Forma Change*
Revenues from exits	78	0	0	*78*	*78*
Total	**78**	**0**	**0**	***78***	***78***

This item includes the capital gain accrued on the disposal of the equity investment held by LVenture Group in Netlex Srl. The Company defined an exit transaction in the total amount of €127 thousand (the Company's investment in Netlex amounted to €49 thousand). The buyer, which signed a binding agreement for the purchase of the majority stake (51%), acquired all shares held by the investors (20%), including LVenture Group, and part of the shares held by the entrepreneurs (31%), with an option to purchase the remaining 49% starting from the third year after the agreement was signed.
The sale will be formalised by notary deed by 30 April 2017. The agreement signed with the buyer on 20 December 2016 prohibits the sellers from carrying out any management action on the disposed company, with the exception of the approval of the 2016 financial statements of the investee. The shareholders' meeting for the approval of the financial statements was held on 27 March 2017. The same agreement allows the buyer to withdraw only if the company subject to disposal has undergone an unfavourable change (one or more events that have a negative impact of at least 30% on the financial position or profit and loss). Having received confirmation that this event had not taken place at the date of approval of these financial statements and considering the fact that LVenture Group de facto waived all rights on its shares at the date on which the disposal agreement was signed, the transaction is deemed irrevocably concluded and the signature before the notary a mere formality.

34. FINANCIAL EXPENSES

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Financial expenses	-23	-2	-17	*-21*	*-6*
Total	**-23**	**-2**	**-17**	***-21***	***-6***

The item includes interest expense on mortgage loans taken out by the Company and bank fees and expenses on ordinary operations.

35. OTHER INCOME AND EXPENSES

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Other income and expenses	4	-5	0	*9*	*4*
Profit (loss) from discontinued operations	-100	0	0	*-100*	*-100*
Total	**-96**	**-5**	**0**	***-91***	***-96***

The item Profit (loss) from discontinued operations includes the result from the closure of the educational activities of the DoLab School digital training school, to be closed in accordance with the plan for gradual discontinuation by the end of 2016. This transaction was approved by the Board of Directors on 16 December 2016.

36. INCOME TAXES

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Income taxes	0	0	40	*0*	*-40*
Total	**0**	**0**	**40**	***0***	***-40***

This item includes deferred tax assets recognised in the financial statements of the subsidiary.

(€ thousands)	31-Dec-16	31-Dec-15	Pro-Forma 31-Dec-15	*Change*	*Pro-Forma Change*
Current taxes:	**0**	**0**	**-7**	*0*	*7*
IRES	0	0	0	*0*	*0*
IRAP	0	0	-7	*0*	*7*
Substitute taxes	0	0	0	*0*	*0*
Deferred tax (assets) liabilities:	**0**	**0**	**47**	*0*	*-47*
IRES	0	0	47	*0*	*-47*
IRAP	0	0	0	*0*	*0*
Substitute taxes	0	0	0	*0*	*0*

The amounts recognised are for taxes for the year.

36.1. Reconciliation between the tax charge from the financial statements and the theoretical tax charge (IRES)

Considering that taxes for the year are exclusively related to the subsidiary, the reconciliation between the theoretical charge resulting from the financial statements of the subsidiary and the actual tax charge is provided below:

Description *(€ thousands)*	Value	Taxes
Pre-tax profit (loss)	-1,899	-456
Theoretical tax charge (%)	24.00%	
Temporary differences taxable in subsequent years	0	0

Description *(€ thousands)*	Value	Taxes
Temporary differences deductible in subsequent years	0	0
Reversal of temporary differences from previous years	0	0
Differences that will not be reversed in subsequent years:	0	0
Non-deductible expenses	**681**	164
Taxable income	**-1,217**	
Reversal of temporary differences from previous years		**0**
Current taxes on income for the year		**0**
Actual tax charge (%)		irrelevant

36.2. Determination of the IRAP tax base

Description *(€ thousands)*	Value	Taxes
Difference between value and costs of production	-1,899	
Costs not relevant for IRAP purposes	1,162	
Revenues not relevant for IRAP purposes	-138	
Theoretical tax charge (%)		4.82%
Temporary difference deductible in subsequent years	**0**	**0**
IRAP tax base	**-874**	
Employee deduction	**426**	
Current IRAP for the year	**-448**	**0**
Actual tax charge (%)		irrelevant

36.3. Deferred tax assets and liabilities

Deferred tax assets were recognised in that there is reasonable certainty of the existence in the years in which the deductible temporary differences will be reversed of taxable income no lower than the amount of the differences that will be offset.

37. EARNINGS PER SHARE

As required by IAS 33, please note the following regarding earnings per share:

(€)	31-Dec-16	31-Dec-15	31-Dec-15 Pro-Forma
Net profit (loss) for the period	**-1,898,759**	**-1,079,486**	**-1,233,992**
Ordinary shares[13]	25,600,014	17,711,120	17,711,120
Earnings per share	**-0.0742**	**-0.0609**	**-0.0697**
Ordinary shares + potential ordinary shares	25,600,014	17,711,120	17,711,120
Diluted earnings per share	**-0.0742**	**-0.0609**	**-0.0697**

38. DISCLOSURE OBLIGATIONS PURSUANT TO ART. 114, PARAGRAPH 5 OF ITALIAN LEGISLATIVE DECREE NO. 58/98

In a letter dated 12 July 2013, Consob notified the Company that to replace the monthly disclosure requirements established by note dated 27 June 2012, it must, pursuant to the referenced regulation, supplement the annual financial reports, as well as press releases concerning the approval of the above-mentioned accounting documents, with the following information:

[13] To calculate the weighted average of the shares, the share capital increases carried out during the year are attributed at 1 January of the year of issue, consistent with the entitlements attached to the newly issued shares.

a) the net financial position of the Company, highlighting the short-term components separately from medium/long-term components;
b) the past-due payables of the Company broken down by nature (financial, trade, tax and social security) and any associated reaction initiatives of Company creditors (reminders, injunctions, supply suspensions, etc.);
c) transactions with related parties of the Company;
d) any failure to comply with covenants, negative pledges and any other Company debt clause entailing limits on the use of financial resources, with an updated indication of the degree of compliance with such clauses;
e) the implementation status of any business and financial plans, with an indication of variances between actual and forecast data.

With respect to the information required by Consob, the net financial position of the Company is reported below, highlighting the short-term components separately from medium/long-term components:

33.1. Net Financial Position of the Company

	(€ thousands)	31-Dec-16	31-Dec-15	31-Dec-15 Pro-Forma
A	Cash	1	0	0
B	Other cash and cash equivalents	1,620	863	1,132
C.	Securities held for trading	0	0	0
D	**Liquidity (A + B + C)**	**1,621**	**863**	**1,132**
E	**Other current financial receivables**	0	0	**0**
F	Current payables to banks	0	0	0
G	Current portion of non-current debt	0	0	0
H	Other current financial payables	0	0	0
I	**Current financial debt (F + G + H)**	**0**	**0**	**0**
J	**Net current financial debt (D + E + I)**	**1,621**	**863**	**1,132**
K.1	Other non-current financial receivables	0	0	0
K.2	Non-current payables to banks	-656	0	-446
L	Bonds issued	0	0	0
M	Other non-current payables	-33	0	-30
N	**Non-current financial debt (K.1 + K.2 + L + M)**	**-689**	**0**	**-476**
O	**Net financial debt (J + N)**	**932**	**863**	**656**

33.2. Past-due payables of the Company broken down by nature

The past-due payables of the Company broken down by nature (financial, trade, tax and social security) and any associated reaction initiatives of Company creditors (reminders, injunctions, supply suspensions, etc.) are reported below.

(€ thousands)	
Financial Payables	0
Tax Payables	0
Social Security Payables	0
Due to Employees	0
Trade Payables	769
Other Payables	0
Total past-due payables	**769**

At the date on which these financial statements were prepared, the Company had no covenants, negative pledges or other debt clauses entailing limits on the use of financial resources.

33.3. Transactions with related parties

Transactions with related parties are described in Note 37.

33.4. Covenants, negative pledges and any other Company debt clause entailing limits on the use of financial resources

At the date on which the Financial Statements were prepared, the Company had no covenants, negative pledges or other debt clauses entailing limits on the use of financial resources.

33.5. Implementation status of any business and financial plans, with an indication of variances between actual and forecast data

The Business Plan approved by the Board of Directors on 29 December 2015 aims: (a) to improve the Company's positioning amongst the largest operators in the Venture Capital sector in Italy and at European level, particularly with reference to investments in digital, including innovative, businesses with high technological value; (b) to pursue the development and enhancement of the startups in the Issuer's investment portfolio (the "**Startups**") in order to achieve significant capital gains upon the disinvestment ("**Exit**") of the Company from the Startups (the "**Strategic Objectives**").

In line with the Strategic Objectives outlined above, the following actions were identified in the Business Plan:

a) equipping LVenture Group with sufficient capital to fund the process of investing in promising digital startups, possibly innovative, selected from amongst those participating in the Acceleration Programmes organised and managed by EnLabs (the only subsidiary of the Issuer prior to the merger on 20 December 2016, hereinafter the "**Accelerator**") and Acceleration Programmes organised and managed by the Accelerator on behalf of third party companies, or identified in the market;

b) promoting the Issuer's and the Accelerator's international development through joint ventures with third-party accelerators, to support the activities of the Startups and increase their value;

c) expanding the Ecosystem[14] to maximise support to the Startups;

d) expanding the Accelerator's spaces;

e) increasing the Company's business lines for the stabilisation and diversification of ordinary revenues, in particular by organising Open Innovation programmes[15];

f) supporting the development of DoLab[16];

g) strengthening the Company's organisational structure, also in terms of resources used, to allow for the management of a broader volume of investments and activities than the current.

[14] This refers to a dense network of contacts between investors, companies, experts, entrepreneurs, partners and sponsors which are involved on an ongoing basis in the Company's activities through business networking events, during which such parties have the opportunity to learn about and interact with the Startups.

[15] The Issuer's exclusive programme dedicated to the Corporate Businesses involved in the Ecosystem.

[16] The SBU (strategic business unit) launched by the Issuer in 2014, dedicated to the development and provision of training courses in the digital realm.

As concerns 2016, please refer to the Directors' Report, which provides extensive comments on the actions undertaken by the Company during the year just completed.

There was a €1,048 thousand difference between the Company's net profit at 31 December 2016 and the result forecast in the Business Plan.

During the reference period, the following differences were registered in income statement and investment items compared to the Business Plan assumptions:

- **revenues** roughly €523 thousand lower than the 2016 budget. The business lines with the most weight in terms of lower revenues were: the DoLab digital school (€252 thousand) and the Accelerator (€177 thousand) due to the lower number of startups in the programmes;
- **costs** €208 thousand below budget;
- **gross operating margin** €317 thousand below budget;
- **write-offs** substantially aligned with the budget;
- **capital gains from exits** €666 thousand below budget. In the course of 2016, LVenture Group completed its first exit and participated in other negotiations which were not completed by the end of 2016.

In 2016, investments totalled €2,302 thousand (about 5% lower than the budget estimate).

The table below shows the changes noted above:

(€ thousands)	*Actual at 31-Dec-2016*	*Business Plan at 31-Dec-2016*	*Differences*
Revenues	1,749	2,272	-523
Costs	-2,803	-3,011	208
Gross operating margin	**-1,055**	**-738**	**-317**
Write-offs	-725	-503	87
Capital gains from exits	78	745	-666
Net profit (loss)	-1,899	-642	-1,129
Investments	**2,302**	**2,429**	**-127**

34. COMMITMENTS AND GUARANTEES

The Company's commitments and guarantees are listed below:

(€ thousands)	**Type of commitment/guarantee**	**31-Dec-16**
Whoosnap	Startup payment	50
Tutored	Startup payment	100
Remoria VR	Startup payment	20
Social Academy	Startup payment	90
Manet Mobile Solutions	Startup payment	50
GoDiretti	Startup payment	70
Ambiens VR	Startup payment	50
Dive Circle	Startup payment	48
DataFalls	Startup payment	48
Space Matters	Startup payment	48
2Hire	Startup payment	42
Yakkyo	Startup payment	60
Total		**706**

35. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, please note that in 2016 the Company carried out two significant non-recurring transactions:

a) the merger by incorporation of EnLabs into LVenture Group;
b) the disposal of the activities relating to the DoLab training school business line.

Comments on both transactions are provided in the relevant sections of the Directors' Report and the Notes.

36. TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, please note that in 2016 the Company did not carry out any atypical and/or unusual transactions as defined by the Communication.

37. RELATED PARTY TRANSACTIONS

The Company carries out transactions with related parties in compliance with the formal procedure and implementation methods laid out by the Procedure on transactions with related parties, adopted by the LVenture Group Board of Directors in implementation of the Regulation on related party transactions, adopted by Consob with resolution no. 17221 of 12 March 2010, as amended.

The related party transactions carried out by the Company are subject, in compliance with its traditional application of market best practices, to a procedure which includes, inter alia:

i) the complete and timely transmission of relevant information to the Control and Risk and Related Party Transactions Committee. This Committee consists exclusively of independent directors who in exercising their functions may also rely on the support of independent experts;
ii) the issue of an opinion (binding or non-binding, depending on the case) before the approval of the transaction by the Board of Directors.

All transactions - connected with the Company's normal activities - were carried out in its exclusive interest, applying contractual conditions consistent with those that could theoretically be obtained in a negotiation with third parties.

37.1. Main transactions concluded during the period

In 2016, no transactions with related parties other than those reported below were carried out.

37.2. Related party transactions in place at 31 December 2016

In continuation of the transactions already in place last year, LVenture Group carries out transactions with members of the Board of Directors, the Board of Statutory Auditors and the Corporate officer in charge of preparing the accounting documents.

37.3. Trade transactions with related entities - Revenues

There was no transaction generating revenues in 2016.

37.4. Trade transactions with related entities - Costs

There was no transaction generating costs in 2016.

37.5. Trade transactions with related entities - Receivables and Payables

There was no transaction generating receivables or payables in 2016.

37.6. Trade transactions with related entities - Investments

There was no relevant transaction in 2016.

Considering the insignificant nature of related party transactions, they were not separately indicated in the Financial Statements pursuant to Consob resolution no. 15519 of 27 July 2006.

37.7. Directors' and Statutory Auditors' Fees

In accordance with the law, the total fees due to directors, members of the Board of Statutory Auditors and the Independent Auditors are specified below (article 2427, paragraph 1, no. 16 and 16-bis of the Italian Civil Code).

NAME	Role	Period from / to	Expiry		Fixed fees	Committees
Board of Directors						
Stefano Pighini	Chairman of the Board of Directors	01/01/2016	Financial Statements at	(a)	6,000	0
		31/12/2016	31/12/2017	(b)	21,000	0
Luigi Capello	Chief Executive Officer	01/01/2016	Financial Statements at	(a)	6,000	0
	Deputy Chairman	31/12/2016	31/12/2017	(b)	45,000	0
Livia Amidani Aliberti	Director	01/01/2016	Financial Statements at	(a)	6,000	0
		31/12/2016	31/12/2017	(b)	0	3,000
Maria Luisa Mosconi	Director	01/01/2016	-	(a)	1,500	0
		26/04/2016		(b)	0	500
Roberto Magnifico	Director	01/01/2016	Financial Statements at	(a)	6,000	0
		31/12/2016	31/12/2017	(b)	15,000	0
Claudia Cattani	Director	11/11/2016	Financial Statements at	(a)	833	0
		31/12/2016	31/12/2017	(b)	0	0
Micol Rigo	Director	01/01/2016	Financial Statements at	(a)	6,000	0
		31/12/2016	31/12/2017	(b)	0	2,000
Valerio Caracciolo	Director	01/01/2016	Financial Statements at	(a)	6,000	0
		31/12/2016	31/12/2017	(b)	0	0
Augusto Coppola	Director (formerly EnLabs)	01/01/2016 22/12/2016	-	(a)	130,000	0
Giovanni Gazzola	Chief Executive Officer (formerly EnLabs)	01/01/2016 22/12/2016	-	(a)	30,000	0
Board of Statutory Auditors						
Giovanni Rebecchini	Chairman of the Board of Statutory Auditors	01/01/2016 28/04/2016	-	(a)	6,000	0
Carlo Diana	Chairman of the Board of	28/04/2016 31/12/2016	Financial Statements at 31/12/2018	(a)	10,000	0

NAME	Role	Period from / to	Expiry		Fixed fees	Committees
	Statutory Auditors					
Giovanni Crostarosa Guicciardi	Standing Auditor	01/01/2016 31/12/2016	Financial Statements at 31/12/2018	(a)	10,000	0
Benedetta Navarra	Standing Auditor	01/01/2016 31/12/2016	Financial Statements at 31/12/2018	(a) (b)	10,000 0	0 4,000
Carlo Diana	Sole Auditor (formerly EnLabs)	01/01/2016 22/12/2016	-	(a)	4,000	0
TOTAL					**319,333**	**9,500**

The letter in the "Fixed fees" column specifies:

a) the remuneration for the year 2016 approved by the shareholders' meeting, even if not yet paid;

b) fees received for carrying out specific duties, pursuant to article 2389, paragraph 3, of the Italian Civil Code.

38. FEES TO THE INDEPENDENT AUDITORS

Pursuant to article 149-duodecies of the Consob Issuers' Regulations, the fees due to the Independent Auditors net of VAT and accessory expenses are specified below:

Type of service	(€)
Auditing services	13,241
Other control services	13,820
Total fees 2016	**27,061**

39. SIGNIFICANT EVENTS AFTER YEAR-END CLOSE

In **December 2016**, 6 startups were chosen for the 10th Acceleration Programme (5 December 2016 - 11 May 2017). At 31 December 2016, only Shoparound had signed the investment agreement and received €14 thousand from a third-party shareholder. No disbursement was made by the Company in 2016.

For 2 startups, the investment methods will be as follows:

- **Shoparound** (selected with the support of Angel Partner Group): the investment will be €40 thousand in PFIs for the provision of services by LVenture Group in exchange for a call option equal to 4.5% of the share capital. Shoparound is a peer-to-peer platform which makes connections between those who need to shop in a new city and highly qualified professional shoppers who understand their style and needs;
- **2 Hire**: the investment will be €70 thousand by LVenture Group in exchange for a call option equal to 7.5%. 2 Hire transforms any vehicle into a connected car through a plug and play device that can be used to control all of the vehicle's actions from a smartphone by means of dedicated software;

For the other 4 startups, the investment method will involve the subscription of special type of convertible notes (PFI) for a total of €80 thousand in exchange for a call option for the acquisition of 9% of the share capital.

- **Dive Circle**: this is an online travel agency devoted entirely to the underwater tourism sector, particularly divers, snorkelers and travellers who love nature and being near the sea. A platform for obtaining inspiration and making bookings, which can organise an entire diving trip in a few clicks and in just a few seconds.
- **Big Profiles** (DataFalls S.r.l.): this is a Customer Intelligence instrument. It exploits information about people published online and in social networks to provide companies with knowledge. With its Identity Resolution algorithm, it can profile a company's customers, strengthening the insights that a business has regarding its consumers.
- **PlayWood** (Space Matters S.r.l.): this is an innovative modular furnishings system that combines connectors and panels to create personalised furnishings. The PlayWood connectors are not only a product, but a platform for sharing ideas and projects for makers and designers.
- **Memio**: this is an app for planning medicine distribution and ensuring the proper treatment for every patient.

On **24 January 2017**, Giuliana Collalto s.s. ("Collalto"), an Italian company with registered office in Treviso (TV), subscribed a share of the Share Capital Increase pursuant to the Investment Agreement entered into by the shareholders of the company LV.EN. Holding S.r.l. on 1 June 2016. As of the date of the above-mentioned subscription, Collalto became a shareholder of LV.EN. Holding and, for the purpose of the application of the Collalto Shareholders' Agreements, it is classified as an Investor.
Please note that the Subscription entailed exclusively an amendment of the parties participating in the Shareholders' Agreement, with the addition of Collalto to the group of parties to the agreement.
The Shareholders' Agreements thus amended were filed with the Rome Business Register on 28 January 2017 and, on the same date, an extract of them was published on the Company's website.

Ms Maria Luisa Mosconi, independent director of the Board of Directors and member of the Control and Risk and Related Party Transactions Committee, resigned effective as of **31 January 2017**.

On **9 March 2017**, the Company's Board of Directors passed a resolution to partially execute the mandate granted to it pursuant to art. 2443 of the Italian Civil Code by the Company's Extraordinary Shareholders' Meeting on 30 April 2014, with a share capital increase of LVenture Group, against payment, in tranches, in the maximum amount of €700,000, of which €350,000 to be allocated to the share capital and €350,000 for the share premium, with the exclusion of the option right pursuant to article 2441, paragraphs 5 and 6 of the Italian Civil Code, by issuing up to 1,166,666 new ordinary shares of the Company (the "Newly Issued Shares"), with no nominal value, and the same entitlements and characteristics as those outstanding at the issue date (the "Share Capital Increase"). The Newly Issued Shares will be allocated exclusively and irrevocably to subscription, by the final deadline of 30 March 2017, by parties which may all be qualified as strategic investors (the "Investors").
The subscription price of the Newly Issued Shares was set at €0.60/each, calculated on the basis of the value of shareholders' equity and taking into account the Company's average daily share price in the last six months.
The Board of Directors deems that such Investors represent an opportunity for the Company, not only due to their profile as investors of high standing but, moreover, as potential strategic partners with specific experience in venture capital, capable of providing value added to the Company. In the event of the full subscription of the Newly Issued Shares: i) the post Share Capital Increase share capital will be represented by 26,766,680 ordinary shares, all with the same characteristics as those currently outstanding; ii) the dilution of the current shareholders of the Company would be equal to 4.36%.
Following the subscription of the Share Capital Increase approved by the Company's Board of Directors on 9 March 2017, 1,166,666 LVenture Group ordinary shares were issued on 20 March 2017.

Due to the above-mentioned Share Capital Increase, the equity investment of LV. EN. Holding S.r.l. is equal to 39.93%.
The certification that the share capital increase had been completed pursuant to article 2444 of the Italian Civil Code was filed with the Rome Business Register on 23 March 2017.

The new breakdown of the LVenture Group share capital is shown below:

	Current share capital			Previous share capital		
	Euro	**no. of shares**	**unit nominal value**	**Euro**	**no. of shares**	**unit nominal value**
Total of which:	8,794,949	26,766,680	-	8,444,949	25,600,014	-
Ordinary shares (regular entitlement: 1/1/16) Current coupon no.: 4	8,794,949	26,766,680	-	8,444,949	25,600,014	-

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS

PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MARCH 1999 AS AMENDED

1. The undersigned Stefano Pighini, as the Chairman of the Board of Directors of LVenture Group, and Francesca Bartoli, as Corporate officer in charge of preparing the accounting documents of LVenture Group, hereby certify, also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998 as amended:

   - the adequacy in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures for the formation of the Separate Financial Statements in the period from 1 January to 31 December 2016.

2. It is also certified that the Separate Financial Statements:

   a) have been prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

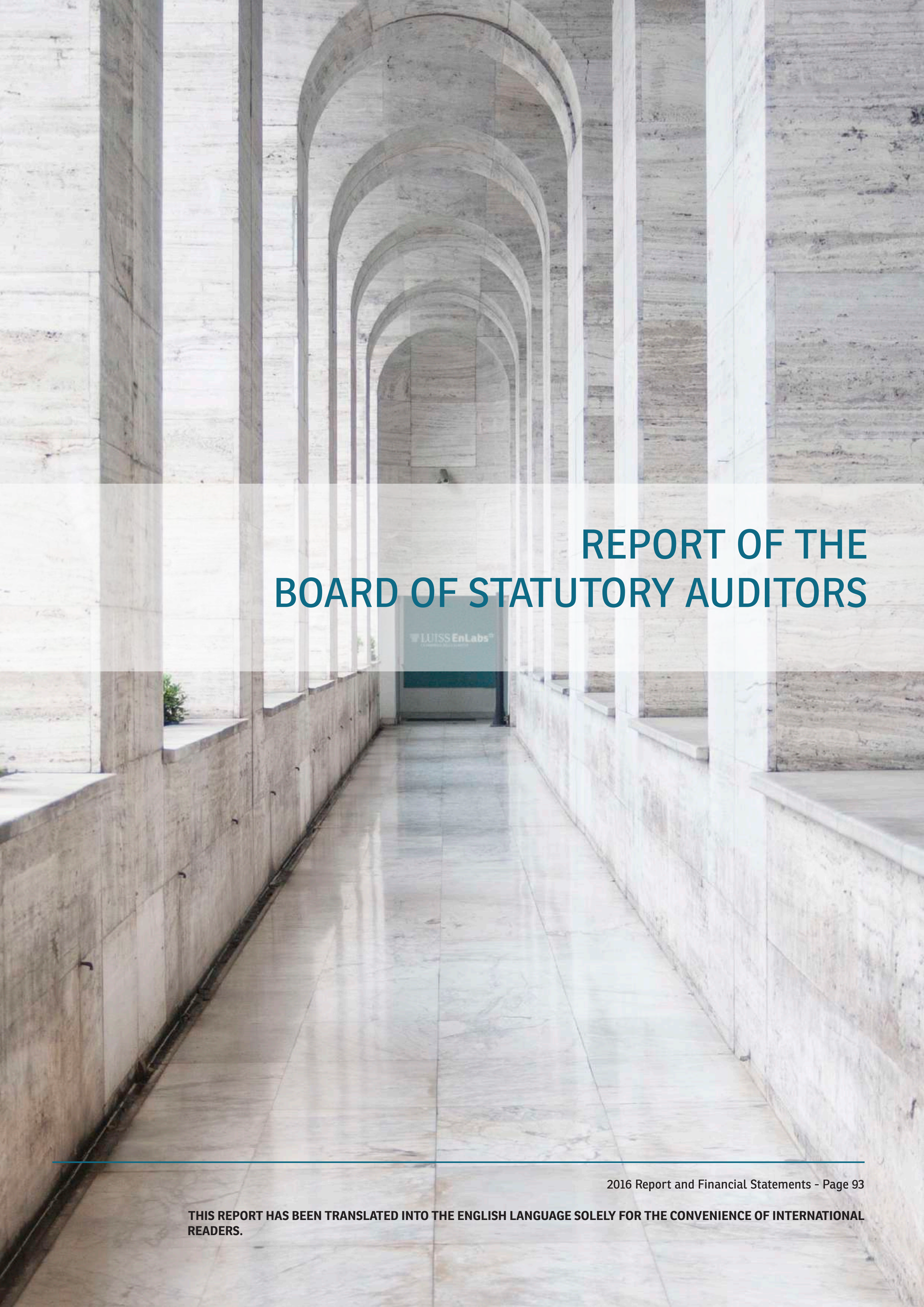
   b) correspond to the accounting records and entries;

   c) are suitable to provide a true and fair view of the Issuer's financial position, profit and loss and cash flows.

3. The directors' report contains a reliable analysis of management performance and results, as well as the Issuer's situation, along with a description of the main risks and uncertainties to which it is exposed.

Rome, 28 March 2017

Stefano Pighini	Francesca Bartoli
Chairman of the Board of Directors	***Corporate officer in charge of preparing the accounting documents***



REPORT OF THE BOARD OF STATUTORY AUDITORS

THIS REPORT HAS BEEN TRANSLATED INTO THE ENGLISH LANGUAGE SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS.

REPORT OF THE BOARD OF STATUTORY AUDITORS

LVENTURE GROUP S.P.A.

Registered Office via Marsala no. 29 H- I - 00185 ROME

Subscribed and paid-up share capital €8,794,949.00

VAT no. 0193250026 - Tax Code 81020000022 - Rome Economic and Administrative Index 1356785

Report of the Board of Statutory Auditors

to the Shareholders' Meeting

on the Separate Financial Statements at 31 December 2016

(pursuant to art. 153 of Italian Legislative Decree no. 58/1998 and art. 2429, paragraph 3 of the Italian Civil Code)

*** * ***

Dear Shareholders,

the Board of Statutory Auditors reports on the supervisory activity carried out and all other elements required under art. 153 of Italian Legislative Decree no. 58/98 (the Consolidated Finance Act) and art. 2429, paragraph 3 of the Italian Civil Code, taking into account what is laid out in the Rules of conduct of boards of statutory auditors of listed companies approved by the Italian accounting profession and Consob communications on the matter of corporate controls and activities of the Board of Statutory Auditors.

The company Baker Tilly Revisa S.p.A. has been engaged to audit the accounts, whose report on the 2016 Separate Financial Statements we hereby reference.

On 29 April 2016, the LVenture Group S.p.A. shareholders' meeting appointed a new Board of Statutory Auditors, which had reached the end of its three-year term of office, including for the next period and until the approval of the Financial Statements at 31 December 2018 the members Carlo Diana, chairman of the Board of Statutory Auditors, and Giovanni Costrarosa Guicciardi and Benedetta Navarra, standing auditors.

1. During the year ended at 31 December 2016, we supervised observance of the law and the articles of association and we obtained information from the Directors at least every quarter on the activity carried out and on the most relevant transactions in terms of profit and loss, cash flows and the financial position carried out by the Company. These transactions are described in detail in the Directors' Report, which should be referred to. In this regard, we believe that the actions approved and carried out are compliant with the law and the articles of association, are not in conflict with the resolutions passed by the Shareholders' Meeting or in conflict of interests and are inspired by the principles of proper administration.
2. We acquired knowledge of and supervised, insofar as we are responsible, the adequacy of the organisational structure of the Company and compliance with the principles of proper administration. To this end, we obtained information by participating in meetings of the Board of Directors and the Control and Risk Committee, meeting with the top management, the Independent Auditors and the heads of the company functions and carrying out additional inspection and control activities; we have no observations to make in this regard.

3. With regard to the Company's adhesion to the Corporate Governance Code, please refer to paragraph 3 (Compliance) of the "*Annual Report on corporate governance and ownership structures*"; for our part, on 19 May 2016 we verified the independence of the members of this Board of Statutory Auditors (point 8.c.1 of the Code) and supervised the proper application of the criteria and assessment procedures adopted by the Board of Directors to evaluate the independence of its members (point 3.c.5 of the code). In this regard, there are no findings to be reported.

4. We supervised the adequacy of the administrative/accounting system by obtaining information, examining the company documents and holding periodic meetings with the managers of the Independent Auditors and the Corporate officer in charge of preparing the accounting documents, and we believe that, insofar as we have found and confirmed, the administrative/accounting system accurately provides a true and fair value of operations, also with reference to the positive opinion pursuant to the Report on the Separate Financial Statements issued by the Independent Auditors. We note that during the year 2016, the company adopted new administrative/accounting software, which we verified was suitable and efficient to ensure the comprehensiveness and accuracy of the profit and loss and financial data.

5. We supervised the adequacy of the internal control system, a description of which is provided in paragraph 11 (Internal control and risk management system) of the *Report on corporate governance*, deeming that it is adequate and functioning as a whole; in 2016, we found that the Company continued in its implementation of its risk control system by appointing the Control and Risk Committee consisting entirely of independent directors.

6. We acknowledge that the director responsible for the Control System submitted to the Company's Board of Directors the Report on the internal control system addressed to the Company's Board of Directors meeting held on 28 March 2017, in compliance with the recommendations of the Corporate Governance Code. The Director's Report makes it possible to confirm the steps made towards the adoption of an effective control and risk management system.

7. We participated in the 6 meetings of the Control and Risk Committee held in 2016. We acknowledge that the Control and Risk Committee submitted its Annual Report to the Board of Directors on 27 March 2017, which shows that the Internal control and risk management system of the Company is adequate with respect to the company's circumstances. We acknowledge that following the resignation of the non-executive and independent directors Maria Luisa Mosconi, as of 26 April 2016, and Micol Rigo, as of 31 January 2017, the Committee currently consists of two members, as in the meantime during the Board of Directors meeting of 11 November 2016, Claudia Cattani was co-opted to the Board and became part of the Control and Risk Committee by resolution dated 9 March 2017.

8. For all of 2016, we maintained a constant flow of information with the head of the internal audit function, Cristiano Cavallari, meeting with him on 19 May 2016 and on 24 February 2017.

   We acknowledge that the head of the internal audit function has an adequate level of independence and suitable resources for carrying out the function.

   We acknowledge that the head of the internal audit function regularly prepared periodic reports containing information on his activities, on the methods whereby risk management is conducted and on compliance with plans for limiting risk, in addition to having verified the suitability of the internal control and risk management system and the reliability of the information systems, including the accounting systems, promptly transmitting reports to the chairmen of the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors.

   We acknowledge that on 2 February 2017, the head of the internal audit function issued his annual report, finding that the organisational and management procedures and operational practices are substantially compliant with sector regulations and that no elements emerged which may compromise the overall adequacy of the Company's Internal Control System.

We held meetings with the Supervisory Board, appointed pursuant to Italian Legislative Decree no. 231/2001, for the reciprocal exchange of information: during those meetings, no violation of the Organisation, management and control model adopted by the Company emerged nor did any facts or relevant information that would require reporting herein. We acknowledge that the Company, by resolution of the Board of Directors of 12 May 2016, appointed a supervisory board consisting of Bruno Piperno (Chairman), Benedetta Navarra, member of the Board of Statutory Auditors, and Cristiano Cavallari, head of the Company's internal audit function; the presence of a member of the Board of Statutory Auditors on the Supervisory Board pursuant to Italian Legislative Decree 231/2001 guaranteed a constant flow of information between the two bodies. On 22 February 2017, the Supervisory Board issued its annual report. The current Organisation, management and control model was prepared in March 2014: the need, already reported in our Report to the Financial Statements at 31 December 2015, to revise it remains, in light of the recent amendments to the reference regulatory framework with the introduction of relevant new elements concerning "prerequisite crimes", as well as with reference to a better breakdown of processes subject to control and the relative information flows to be sent to the Supervisory Board.

On the basis of what is reported in the above-mentioned Annual Report of the Supervisory Board as well as the Report presented by the Control and Risk Committee to the Board of Directors on 28 March 2017, the adoption of the new Organisational model is imminent (by the end of the first half of this year): the board of statutory auditors will carefully verify the effective adoption of the new Model, as well as its suitability to prevent crimes by meeting the requirements pursuant to art. 6, paragraph 2 of Italian Legislative Decree 231/2001. In this respect, also with regard to what is specified in paragraph 3 of the above-mentioned art. 6 and what is reported in our Report relating to the 2015 Financial Statements, we recommend taking into account the guidelines issued by Confindustria as a reference.

9. We received the annual confirmation from the Independent Auditors regarding its independence pursuant to art. 17, paragraph 9, letter a) of Italian Legislative Decree no. 39/2010.

   We supervised the independent audit by examining the activities carried out and the auditing plan with the Independent Auditors; the Independent Auditors did not report any significant gaps found in the internal control system relating to the financial reporting process.

10. We acknowledge that we acquired the necessary information on transactions with third parties, related parties and group companies, based on which we found that:

    - the Company did not carry out atypical and/or unusual transactions with third parties or with related parties;
    - intra-group transactions were all allocated to the LVenture Group S.p.A. Financial Statements following the merger by incorporation of the single-member subsidiary EnLabs S.r.l. into LVenture Group S.p.A. with retroactive accounting and tax effects as of 1 January 2016;
    - in 2016, the Company did not carry out significant transactions with related parties, as duly specified in the Separate Financial Statements;
    - following the entry into force in 2016 of European regulation 596/2014 on "market abuse", the Related Parties procedure was subject to an update approved by the Board of Directors by resolution of 11 November 2016. The Related Party Transactions Committee consists entirely of independent directors, the same as those in the Control and Risk Committee.

11. We acknowledge the share capital increases that took place in 2016 and to date:

    - on 2 February 2016, the shareholders' meeting approved a share capital increase for the issue of ordinary shares for a maximum value of €4,990,000 to be offered under option to the company's shareholders pursuant to art. 2441 of the Italian Civil Code;

- On 16 June 2016, Consob approved the prospectus relating to the admission to trading on the MTA market;
- On 19 July 2016 the offer under option period was concluded, at the end of which 14,343,444 option rights were exercised and therefore 7,888,894 new shares were subscribed, for an equivalent value of €4,039,114; as a result, as of that date, the share capital amounted to €8,444,949, broken down into 25,600,014 shares;
- we recall that the extraordinary shareholders' meeting of 30 April 2014 assigned to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, the delegation to increase the share capital, against payment, for a maximum amount of €4,990,000, inclusive of any share premium, to be carried out in one or more tranches, within five days of the date of the resolution, through the issue of ordinary shares, with the exclusion of the option right pursuant to paragraphs 4, first section, and 5 of art. 2441 of the Italian Civil Code;
- on 9 March 2017, the Board of Directors approved the partial exercise of the delegation by issuing 1,166,666 ordinary shares for a maximum amount of €700,000, with the exclusion of the option right pursuant to art. 2441, paragraph 5 of the Italian Civil Code at an issue price equal to €0.60 per share, of which €0.30 to be allocated to share capital and €0.30 to the share premium; the transaction was concluded on 20 March 2017, therefore at that date the share capital amounted to €8,794,949, broken down into 26,766,680 shares.

With respect to equity instruments, we highlight that on 28 March 2017, the Board of Directors decided to submit an amendment of the articles of association to the shareholders' meeting, by including the “vote increase” pursuant to art. 127-quinquies of the Consolidated Finance Act.

12. We acknowledged that the Remuneration Report has been prepared for the year 2016 pursuant to art. 123-ter of the Consolidated Finance Act and we have no particular observations to report.
13. During the year, the Board of Statutory Auditors did not receive statements or reports pursuant to art. 2408 of the Italian Civil Code. The Board of Statutory Auditors expressed the following opinions:
    - favourable opinion on the co-opting of Director Claudia Cattani;
    - favourable opinion on the approval of the work plan of the head of the internal audit function;
    - favourable opinion on the amendments to the “conflicts of interest management” procedure.
14. In 2016, the company’s Board of Directors held 11 meetings, in which the Board of Statutory Auditors always participated; the Control and Risk Committee met 6 times and the Board of Statutory Auditors was also present at those meetings due to the topics handled; the Board of Statutory Auditors itself met 11 times. The control body participated in the company’s shareholders’ meetings on 2 February 2016 and 29 April 2016.

    The supervisory activity carried out by the Board of Statutory Auditors did not bring to light any omissions, objectionable events or irregularities to be reported to the shareholders and to the Board of Directors.
15. The Company’s Separate Financial Statements at 31 December 2016, which show a loss for the year of €(1,898,759), were prepared in compliance with the international accounting standards (“IAS/IFRS”) issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union.

    The loss in question is essentially due to the nature of the activity carried out by the Company, in which revenues are earned over a long-term time horizon.

    The Directors’ Report and the Financial Statements at 31 December 2016, accompanied by the relative annexes and with the certification of the Corporate officer in charge of preparing the accounting documents, were transmitted to the Board of Statutory Auditors at the end of Board of Directors meeting of 28 March 2017, which approved them on that date.

The Board of Statutory Auditors supervised observance with provisions of law and those to which the law makes reference, which govern the preparation of the above-mentioned documents, through audits and the acquisition of information from the Directors, the Administration and Finance function and the Independent Auditors.

We acknowledge that in the preparation of the Financial Statements, IFRS 7 and 13 were used with respect to valuations of equity investments; their application was agreed upon with the Independent Auditors.

We also acknowledge that the company tested the value of the intangible assets recognised in the Financial Statements for impairment in compliance with IAS 36.

On 5 April 2017, the Independent Auditors issued its Report on the Separate Financial Statements, pursuant to arts. 14 and 16 of Italian Legislative Decree 39/2010, which includes no findings. The Board of Statutory Auditors declares that it also received the explanatory report pursuant to art. 19, paragraph 3 of the above-mentioned Italian Legislative Decree 39/2010.

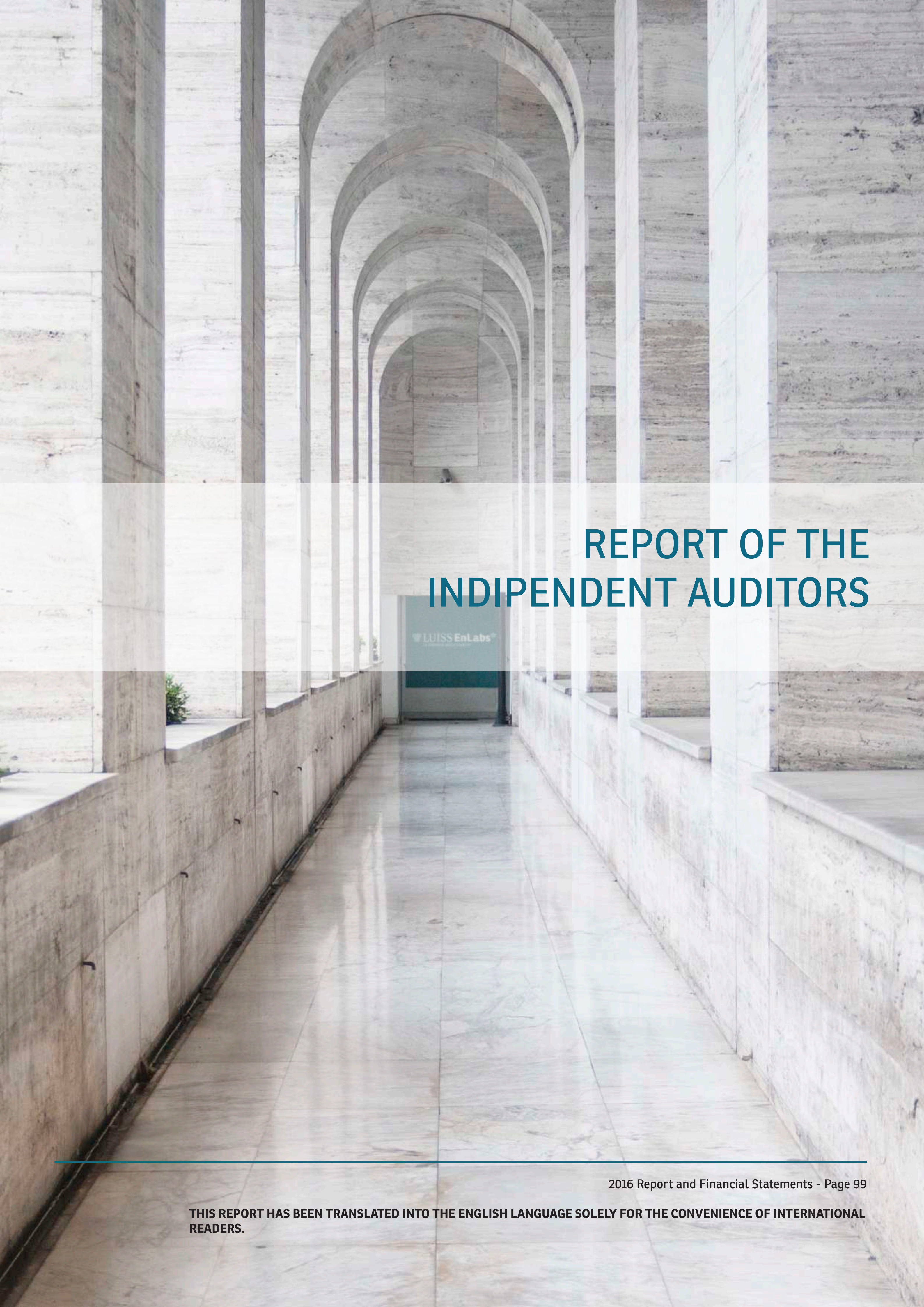
Upon completion of its examination, the Board of Statutory Auditors expresses its favourable opinion regarding the approval of the Financial Statements at 31 December 2016 as prepared by the Directors, and invites you to pass a resolution on the coverage of losses.

Rome, 5 April 2017

Chairman - Carlo Diana

Standing Auditor - Giovanni Crostarosa Guicciardi

Standing Auditor - Benedetta Navarra



REPORT OF THE INDIPENDENT AUDITORS

THIS REPORT HAS BEEN TRANSLATED INTO THE ENGLISH LANGUAGE SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS.

BAKER TILLY
REVISA

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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE N. 39 DATED JANUARY 27, 2010**

(Translation from the original Italian text)

To the Shareholders of
LVenture Group S.p.A.

Report on the financial statements

We have audited the financial statements of LVenture Group S.p.A., which comprise the statement of financial position at December 31, 2016, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance 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 n. 38/2005.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree n. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material 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 the financial statements that give a true and fair view, 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 opinion.

BAKER TILLY REVISA S.P.A. - CAP. SOC. EURO 1.537.173,56 I.V. - REG. IMP. BO, COD. FISC. E P.I. N. 01213510017 - R.E.A. BO N. 362604
REGISTRO DEI REVISORI LEGALI N. 15585, SOCIETÀ DI REVISIONE GIÀ ISCRITTA AL N. 3 DELL'ALBO SPECIALE CONSOB
SEDE LEGALE: VIA SIEPELUNGA, 59 40141 BOLOGNA - CONSOCIATE NEI PRINCIPALI PAESI DEL MONDO
UFFICI IN: BOLOGNA - BOLZANO - BRESCIA - FIRENZE - GENOVA - MILANO - ROMA - TORINO - TREVISO - VERONA
An independent member of Baker Tilly International

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of LVenture Group S.p.A. at December 31, 2016 and of the economic result and cash flows for the year then ended in accordance 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 n. 38/2005.

Report on other legal and regulatory requirements

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

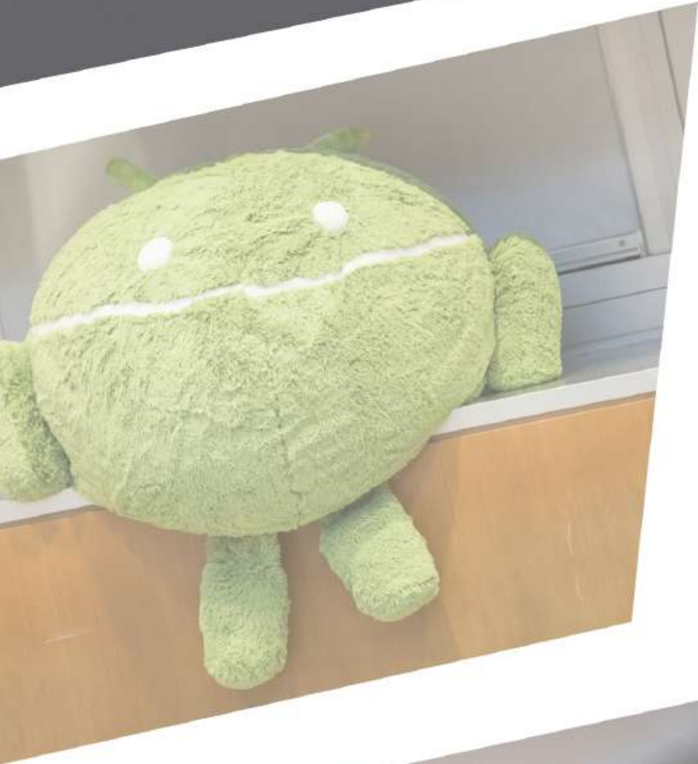
We have performed the procedures required under auditing standard (SA Italia) 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n. 58/98, which are the responsibility of the directors of LVenture Group S.p.A., with the financial statements of LVenture Group S.p.A. at December 31, 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 LVenture Group S.p.A. at December 31, 2016.

Milan, Italy
April 5, 2017

Baker Tilly Revisa S.p.A.
Signed by: Nicola Fiore - Partner

This report has been translated into the English language solely for the convenience of international readers.






LUISS EnLabs
LA FABBRICA DELLE STARTUP
RECEPTION
TOOLS



LUISS



GLOSSARY

Control and risk management Director: the director responsible for the internal control and risk management system (pursuant to point 11.1).

Business Angel: this is an informal investor in the risk capital of a company. The adjective "informal" distinguishes this party from "formal" investors in risk capital, i.e., those which adopt a formal analysis approach to equity investments, such as closed-ended investment funds, more strictly speaking venture capital and private equity funds.

Civil Code: the Italian Civil Code.

Corporate Governance Code: the Corporate Governance Code for listed companies approved in December 2011, which LVenture Group follows, most recently updated in July 2014 by the Corporate Governance Committee, promoted by Borsa Italiana S.p.A., the Italian Banking Association, Ania, Assogestioni, Assonime and Confindustria.

Board: the Board of Directors of LVenture Group.

Corporate officer in charge of preparing the accounting documents: the corporate officer in charge of preparing the accounting documents pursuant to art. 154-bis of the Consolidated Finance Act.

Year: the financial year to which the Report refers.

Exit: this is the moment in which LVenture Group exits its investment in the startup through the sale of the equity investment.

Luiss Guido Carli: LUISS - Libera Università Internazionale degli Studi Sociali Guido Carli - is an autonomous university launched between 1974 and 1978 from a pre-existing Roman institution, Pro Deo.

Model: the organisation and management model pursuant to Italian Legislative Decree no. 231/2001.

Related Parties: the parties pursuant to art. 3, paragraph 1, of the Related Party Regulation.

Post Money: this is the valuation of 100% of the own capital of a startup (shares or units) used to calculate the percentage of capital acquired by parties which invest in the startup by contributing new financial resources through subscription of a share capital increase. The post-money valuation can be calculated starting from the pre-money valuation by adding the amount of the share capital increase, i.e., dividing the amount of the share capital increase by the percentage of the share capital obtained by subscribing it.

Pre Money: this is the valuation of 100% of the own capital of a startup (shares or units) before the contribution of new financial resources. The pre-money valuation can be used as a basis for the determination of the post-money valuation, or may be calculated implicitly by subtracting the amount of the share capital increase from the post-money valuation.

Issuers' Regulations: the Regulations issued by Consob with resolution no. 11971 of 1999 (as amended) on issuers.

Market Regulation: the Regulation issued by Consob with resolution no. 16191 of 2007 (as amended) on markets.

Related Party Regulation: the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as amended) on related party transactions;

Report: the report on corporate governance and ownership structures that issuers are required to prepare pursuant to art. 123-bis of the Consolidated Finance Act.

GLOSSARY

Special type of convertible notes: this term refers to the instruments issued pursuant to Italian Legislative Decree 179/2012 and art. 2346, paragraph 6 of the Italian Civil Code, which have property rights or also administrative rights, excluding the right to vote in the company's shareholders' meeting, and any other loan also associated with rights of conversion into capital pursuant to articles 2467, 2483 and 2420-bis of the Italian Civil Code.

Seed Capital: this refers to the activity of financial investment in the study, establishment and start-up phases of a new company, with potential for growth that is not yet fully assessable and financial commitments which are typically limited and meant to cover the initial operating expenses necessary to carry out the research and development phases for the configuration of the products or services that will constitute the subject of the business project, which at that point will be capable of attracting the attention of venture capital funds (micro seed is when the contribution is very limited, and aimed substantially at covering the minimum costs to study and configure the initiative); investment risk is very high, but the average contribution is rather limited, and therefore this risk can be managed from an investment portfolio perspective.

Internal Control and Risk Management System: the internal control and risk management system.

Website: the website of LVenture Group S.p.A. - www.lventuregroup.com.

Company or LVenture Group: LVenture Group S.p.A.

Consolidated Finance Act: Italian Legislative Decree no. 58 of 24 February 1998.

Venture Capital: refers to the activity of institutional financial investment in the launch and development phases of a new business with potential for considerable growth in the medium/long-term and, in exchange, the assumption of high investment risk.

ZMV: Zernike Meta Venture S.p.A. (wholly-owned subsidiary of Meta Group S.r.l.) is a company specialised in loans aimed at innovation and the creation of new companies.


LVenture Group
CAPITAL FOR GROWTH


LUISS EnLabs
LA FABBRICA DELLE STARTUP

LVenture Group
MEETING
ROOM
21


INVESTOR DAY

LVenture Group
CAPITAL FOR GROWTH

via Marsala, 29 H
00185 Roma (Stazione Termini)