



FONDO ITALIANO D'INVESTIMENTO

FONDO ITALIANO D'INVESTIMENTO SGR S.p.A.

INTERIM REPORT of FONDO ITALIANO DI INVESTIMENTO as at 30 JUNE 2017

Approved by the Board of Directors Meeting of 27 July 2017

REGISTERED OFFICE IN MILAN

VIA TURATI 16/18

SHARE CAPITAL EUR 4,000,000 fully paid up

Registered with the Business Register of Milan, Tax Identification and VAT no. 06968440963

Registered under No. 129 of the Register of AIF Managers kept by Banca d'Italia

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COMPOSITION OF THE COMPANY BODIES

BOARD OF DIRECTORS

Dr Innocenzo Cipolletta	Chairman
Eng. Carlo Giovanni Mammola	Chief Executive Officer
Dr Ferruccio Carminati	Board Member
Dr Stefano Firpo	Board Member
Dr Federico Gallo *	Board Member
Prof. Anna Gervasoni **	Board Member
Dr Giovanni Gilli	Board Member
Dr Roberto Lombardi **	Board Member
Dr Rinaldo Ocleppo	Board Member
Dr Giovanni Ronca ***	Board Member
Dr Giovanni Sabatini	Board Member
Dr Marco Zizzo	Board Member

BOARD OF AUDITORS

Dr Paolo Giosuè Maria Bifulco	Chairman
Dr Alfredo D'Innella	Statutory Auditor
Dr Marco Tani	Statutory Auditor
Dr Silvana Micci	Alternate Auditor
Dr Francesca Monti	Alternate Auditor

INDEPENDENT AUDITOR

EY S.p.A.

DEPOSITARY

Société Générale Securities Services S.p.A.

* Following the resignation of Dr Pier Paolo Cellerino, on 30 June 2017, the Shareholder Meeting appointed Dr Federico Gallo, co-opted by the Board of Directors on 18 May 2017.

** Independent board member.

*** Following the resignation of Dr Roberto Cassanelli, on 19 April 2017, the Shareholder Meeting appointed Dr Giovanni Ronca.

The Corporate Bodies were appointed on 21 July 2016 for the 2016-2018 three-year period.

FONDO ITALIANO DI INVESTIMENTO

INTERIM REPORT as at 30 June 2017

Alternative closed-type mutual fund reserved for professional investors Management company:
Fondo Italiano d'Investimento SGR S.p.A. (hereinafter, "SGR")

Directors' Report

The **total net value as at 30 June 2017** is equal to Euro **205,360,213** (as at 31 December 2016 Euro 215,911,192), for a **unit value** of 4,800 units in circulation of Euro **42,783.378** (as at 31 December 2016, Euro 44,981.498).

The activities of the SGR are focused on the management of five funds, including the Fondo Italiano di Investimento (hereinafter, the "Fund" or the "Italian Fund"), an alternative, closed-type mutual fund reserved for professional investors and authorised by Banca d'Italia [Bank of Italy] on 24 August 2010. The Fund became operational on 10 November 2010 for a duration of 12 years, ending 31 December 2022.

It should be noted that - on 17 March 2016, with effective date of 1 January 2016, pursuant to Articles 2501-ter and 2506-bis of the Italian Civil Code - the Board of Directors of SGR approved the partial proportionate spin-off of Fondo Italiano di Investimento through the creation of two common beneficiary funds, called "Fondo Italiano di Investimento Fondo di Fondi" and "Fondo Italiano di Investimento - FII Venture", as a result of which part of the Fund's portfolio and part of its commitment, represented by its private equity indirect investments (so-called "fund of funds") and indirect venture capital investments were assigned to each of the two beneficiary funds.

The Fund's commitment is equal to Euro 720,000,000, divided into 4,800 units, with a nominal value of Euro 150,000.

Reference market

With regard to the private equity market, the first reports for the first half of 2017 confirm the important signs of recovery detected starting in the second half of 2014 and continuing throughout the 2015-2016 two-year period.

In particular, according to the initial findings of the monitoring centre *Private Equity Monitor* – PEM®, between January and June 2017, 53 new investment operations were announced (excluding start ups, reinvestments in investee companies and operations executed by public investment vehicles), an improvement of 26% compared to the 42 operations completed during the same period of the previous year.

Most of the investments involved buy-outs (55%), followed by expansions (29%), turnarounds (14%, up significantly) and replacements (2%). In terms of size, the analysis reveals an average turnover of approximately 60 million Euros (in 2016, the average was 62 million Euros). In particular, 10% of the target companies are characterised by turnover of more than 250 million Euros; 37% between 50 and 250 million Euros and the remaining 53% less than 50 million Euros.

In terms of sectors, companies operating in the consumer goods and industry products compartment still have a strong presence, representing more than 50% of the entire market; from a geographical point of view, the market is highly concentrated in Lombardy, Veneto and Emilia Romagna, corresponding to 68% of the target companies, while the involvement of companies in the South remains limited (less than 5%).

In this context, the Fondo Italiano di Investimento continued to be a point of reference for the entire market.

Investment activities

Forty investments have been approved and completed, amounting to approximately 400 million Euros (unchanged since 31 December 2016). As at 30 June 2017, the Fund's portfolio contains 22 companies, of which 6 (27.3%) operate in the industrial components sector, 5 (22.7%) in services, 4 (18.2%) in consumer goods, 2 (9.1%) in biomedical and pharma, 1 (4.5%) in machine tools and plant, 1 (4.5%) in shipping and shipbuilding, 1 (4.5%) in automotive, 1 (4.5%) in media & entertainment and 1 (4.5%) in ICT.

With regard to geographic location, 11 (50%) of the companies are located in the North East (including Lombardy), 8 (36%) in the Centre (including Emilia Romagna) and 3 (14%) in the South. The average size of the investments is approximately 12 million Euros.

As at 30 June 2017, the amount still to be called up is equal to Euro 273,106,593, and an amount of Euro 446,893,407 (equal to 62% of collected subscriptions) has been called up. On 3 July 2017, there was an additional call-up equal to Euro 1,516,800, raising the total called-up amount to Euro 448,410,207.

Partial early distributions against divestments were made as repayment of principal for a total amount of Euro 212,914,910, equal to 48% of the total called-up amount as of the date of this Report, broken down as follows:

- 1) Euro 3,250,000 on 24 December 2013 for the partial divestment of Farmol S.p.A.;
- 2) Euro 16,000,000 on 13 June 2014 in connection with the divestment of EcoEridania S.p.A.;
- 3) Euro 7,757,332 on 8 July 2014 in connection with the divestment of Arioli S.p.A.;
- 4) Euro 59,810,000 on 1 August 2014, of which Euro 48,000,000 was for the divestment of Megadyne S.p.A. and Euro 11,810,000 was for the divestment of Angelatoni Test Technologies S.p.A.;
- 5) Euro 2,892,236 on 28 November 2014 for the remaining portion of the divestment of Megadyne S.p.A.;
- 6) Euro 4,000,000 on 30 June 2015 for the repayment of the Rigoni di Asiago S.r.l. shareholder loan;
- 7) Euro 10,000,002 on 31 July 2015 for the early repayment of the convertible bond of TBS Group S.p.A.;
- 8) Euro 16,500,000 on 21 December 2015 for the divestment of Comecer S.p.A.;
- 9) Euro 5,885,000 on 29 April 2016 for the sale of the Farmol S.p.a. convertible bond;
- 10) Euro 14,000,000 on 8 July 2016 for the sale of Marsilli S.p.A.;
- 11) Euro 35,200,000 on 21 July 2016 arising from the liquidation distribution of Ferry Investments S.r.l. following the disposal of Caronte & Tourist S.p.A.;
- 12) Euro 5,500,000 on 18 November 2016 for the collection of the receivable from Roxe S.A. resulting from the sale of EcoEridania S.p.A.;
- 13) Euro 4,975,000 on 1 December 2016 for the partial repayment of the second Forgital Italy S.p.A. convertible bond;
- 14) Euro 79,838 on 3 April 2017, as the remainder from the sale of Caronte e Tourist S.p.A.;
- 15) Euro 11,350,000 on 11 April 2017 for the sale of EMARC S.p.A.;
- 16) Euro 500,000 on 27 April 2017 for the remainder from the sale of EMARC S.p.A.;
- 17) Euro 15,215,502 on 22 May 2017 for the sale of Antares Vision S.r.l..

On 20 July 2017, the Fund distributed Euro 12,222,223 in connection with the sale of TBS Group S.p.A.. The total distributions amount to Euro 225,137,133.

Details on the investments in the portfolio are provided below:

- 1) On 29 April 2011, the Fund subscribed to an increase in share capital in **GEICO Servizi Integrati di Manutenzione S.r.l.** (now Geico Lender S.p.A.), a company with its registered office in Montesilvano (PE) that operates in the “*facility management*” sector, for Euro 3,000,000, equal to 12.10% of the capital. The operation was performed as a co-investment with the fund Atlante Private Equity, managed by IMI Fondi Chiusi SGR S.p.A.. The current book value is Euro 700,000.
- 2) On 9 May 2011, the Fund invested in Euro 6,650,000 in **BAT S.p.A.**, a company head-quartered in Noventa di Piave (VE) and operating in the production and distribution of awnings and components for outdoor awnings, of which Euro 5,703,960 was in capital, equal to 21.60% of the share capital, and Euro 946,040 was in converting shareholder loans, Euro 500,000 of which was converted in 2012. On 29 July 2016, the Fund purchased shares for Euro 76,720. The current book value amounts to Euro 4,548,680 (equal to 22.10% of the share capital), plus Euro 321,040 for the shareholder loan.
- 3) On 3 October 2011, the Fund invested Euro 15,000,000 in **Sanlorenzo S.p.A.**, a company head-quartered in Ameglia (SP), equal to 19.00% of the share capital (which later increased to 22.40% as a result of a price adjustment in 2012). The group, which was founded in 1958, operates in the production of *yachts* and *mega yachts* in fibreglass and metal. In 2013, following the entry of a Chinese investor, the Fund's percentage dropped to 15.96%.
- 4) On 7 October 2011, the Fund invested Euro 10,200,000, equal to 24.90% of the share capital, in **TrueStar Group S.p.A.**, a company with its registered office in Milan. TrueStar Group S.p.A. operates in the airport baggage handling sector with associated assistance for passengers in case of damaged, stolen or lost bags. In 2013, the Fund invested another Euro 3,000,000 as a partially convertible shareholder loan backed by a pledge on shares. Following an additional write-down of Euro 640,000 on 30 June 2017, the carrying value was decreased to Euro 1,060,000, plus the shareholder loan of Euro 3,000,000.
- 5) On 14 December 2011, the Fund invested Euro 4,000,000 in the **DBA Group S.r.l.**, a company with its registered office in Villorba (TV) that operates in the *engineering, project management and ICT* sectors. Of that investment, Euro 500,000 was for capital and Euro 3,500,000 was a loan as an advance against a future share capital increase, converted on 30 July 2012, which raised the Fund's investment to 22.80%. On 21 April 2015, the Fund subscribed to a second share capital increase of Euro 1,500,000, equal to 34.84% of the share capital. On 23 December 2015, the controlling shareholder increased its participation by the amount of Euro 600,000, diluting the Fund's current stake to 32.80% of the share capital.
- 6) On 22 December 2011, the Fund invested Euro 10,000,000 in **Amut S.p.A.**, a company head-quartered in Novara, equal to 27.80% of the share capital (which later increased to 39.80% as a result of a price adjustment in 2012). The company is active in the production of systems for the washing extrusion, recycling and thermoforming of thermoplastic materials. In order to align the book value of the underlying company with its fair value, an additional write down of Euro 760,000 was performed on 30 June 2017; the book value was therefore reduced to Euro 5,200,000.
- 7) On 30 December 2011, the Fund invested Euro 10,000,000 in **IMT S.p.A.**, a company head-quartered in Casalecchio di Reno (BO) that operates in the production and marketing of machine tools. Of this investment, Euro 5,000,000 was in capital, equal to 30.30% of the share capital, and Euro 5,000,000 was a convertible bond, with capitalised interest, for a total of Euro 576,490 (years 2012 and 2013). As a result of losses, the company filled a request for admission into Extraordinary Administration in December 2014. Consequently, as at 31 December 2014, the underlying company and the convertible bond were fully written down.

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- 8) On 27 January 2012, the Fund invested Euro 5,000,000, equal to 29.76% of the share capital, in **ELCO Electronic Components Italiana S.p.A.**, a company with its registered office in Carsoli (AQ) that operates in the design and production of printed circuit boards for electronic systems.
 - 9) On 30 January 2012, the Fund increased its participation in **Sira Industrie S.p.A.**, a company head-quartered in Pianoro (BO) and operating in the production of terminals for outsourced die-casting in aluminium, for Euro 12,000,000 for the acquisition of an investment equal to 40.35% of the share capital. The current book value is Euro 7,400,000.
 - 10) On 9 February 2012, the Fund underwrote a share capital increase in **TBS Group S.p.A.**, a company listed on the AIM and head-quartered in the Area Science Park of Trieste, operating in the integrated broad-spectrum clinical engineering services sector, in the amount of Euro 10,000,001, equal to 13.17% of the share capital, and a convertible bond of Euro 10,000,002, which was repaid early on 30 July 2015. On 7 July 2017, the Fund joined the OPA for a value of Euro 2.2 per share; on 19 July, it was sold for Euro 12,222,223, resulting in capital gains of Euro 2,222,223, which was already reported as at 30 June 2017.
 - 11) On 15 February 2012, the Fund invested Euro 10,000,000 in **Rigoni di Asiago S.r.l.**, a company with its registered office in Asiago (VI) and operating in the production and distribution of organic food products, for an investment equal to 35.56% of the share capital. On 30 May 2013, the Fund invested another Euro 4,000,000 as a convertible shareholder loan, which was repaid on 28 May 2015. On 10 December 2015, the Fund subscribed to a second capital increase of Euro 2,500 for the purpose of facilitating a financing operation with Istituto Sviluppo Agroalimentare S.p.A.. The book value is Euro 10,002,500, equal to 35.55% of the share capital.
 - 12) On 20 April 2012, the Fund increased its participation in **La Patria S.r.l.**, a company head-quartered in Bologna and operating in the security services sector, for Euro 9,320,049, equal to 32.37% of the share capital. The operation was performed as a co-investment with PM & Partners SGR S.p.A..
 - 13) On 29 May 2012, the Fund underwrote a share capital increase in **Zeis Excelsa S.p.A.**, a company head-quartered in Montegranaro (FM) and operating in the production and distribution of footwear and clothing with its own brands and under licenses, by Euro 12,000,000 (19.99% of the share capital) and subscribed to a convertible shareholder loan of Euro 8,000,000. As at 30 June 2017, bonds issued as interest on the convertible bond and interest accruing on the convertible bond were written down on a prudential basis for a total of Euro 1,945,107 (Euro 1,907,380 for the bonds and Euro 37,727 for accrued interest) to take into account the effects of corporate reorganisation and financial restructuring efforts. Following this write-down, the book value of the convertible bond and the bonds issued by way of interest was reduced to Euro 8,476,845, while the book value of the shareholding remained unchanged since 31 December 2016 at Euro 107,000.
 - 14) On 25 June 2012, the Fund invested Euro 13,000,000, equal to 28.85% of the share capital, in **General Medical Merate S.p.A.**, a company with its registered office in Seriate (BG) and operating in the production and marketing of radiological equipment. The current book value is Euro 11,800,000.
 - 15) On 27 June 2012, the Fund underwrote a share capital increase in **Labomar S.r.l.**, a company with its registered office in Istrana (TV) and specialised in research & development and the production of food supplements and health and diet products, for Euro 3,000,000, equal to 29.33% of the share capital.
 - 16) On 18 October 2012, the Fund underwrote a share capital increase in **Mape S.p.A.**, a Bolognese company that operates in the production of connecting rods for the motorcycling, recreational, marine, automobile and industrial vehicle sectors, for Euro 4,000,000, equal to 30.07% of the share capital, and a convertible bond of Euro 6,000,000. As at 30 June 2013, the book value of the subsidiary and the relative bond loan were fully written down, for a total of Euro 10,000,000.
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On 15 May 2014, the Court of Bologna declared the company bankrupt.

- 17) On 29 January 2013, the Fund underwrote a share capital increase in **Turbocoating S.p.A.**, a company with its registered office in Rubbiano di Solignano (PR), that operates in the application of thermal coating spray technologies (so-called coating) for the energy and biomedical sectors, for Euro 7,500,000, equal to 15.25% of the capital, and a convertible bond of Euro 2,500,000. The operation was performed as a co-investment with Winch Italia S.p.A. and Winch Italy Holdings 2 S.A., which invested a total of 10 million Euros.
- 18) On 31 January 2013, the Fund underwrote a share capital increase in **Surgital S.p.A.**, a company with its registered office in Lavezzola (RV) and operating in the production and marketing of frozen pasta and frozen ready meals for the Ho.Re.Ca. (hotel, restaurant and catering) channel, for Euro 10,600,000, equal to 15.0% of the share capital (which later increased to 16.00% due to a price adjustment in 2013).
- 19) On 24 April 2013, the Fund underwrote a share capital increase in **Mesgo S.p.A.**, a company with its registered office in Gorlago (BG) and operating in the synthetic and natural rubber compound sector for Euro 8,000,000, equal to 32.00% of the share capital.
- 20) On 27 December 2013, the Fund invested in Forgital Group S.p.A. (now **Forgital Italy S.p.A.**), a company with its registered office in (VI) that operates in the production and machining of rings and other large forged components for application in industrial and aerospace industries. This investment amounted to Euro 30,000,000, of which Euro 10,000,000 was in capital, equal to 8.24% of the share capital, Euro 5,000,000 for the first convertible bond and Euro 15,000,000 for the second convertible bond. On 12 June 2015, the first convertible bond was converted into shares, increasing the Fund's stake to 12.77%. On 29 November 2016, the second convertible bond was partially converted into capital for Euro 10,025,000, bringing the capital share to Euro 25,025,000, equal to 17.00% of the share capital. The difference of Euro 4,975,000 was repaid on 29 November 2016, plus interest accrued. On the same date, the majority shareholders converted the shareholder loan equal to Euro 9.8 million.
- 21) On 30 July 2014, at the same time as the sale described above and as part of an LBO operation, the Fund underwrote a share capital increase in MegaCo S.r.l. (now **Megadyne S.p.A.**) for Euro 15,000,000, equal to 4.81% of the share capital, a company with its registered office in Mathi (TO) and operating in the production and marketing of polyurethane and rubber belts, pulleys and other related products.
- 22) On 26 August 2014, the Fund underwrote a share capital increase in **Film Master Group - Italian Entertainment Network S.p.A.** (hereinafter, "I.E.N."), a company with its registered office in Rome and operating in the production of advertisement videos, corporate events and international shows as well as the management of museum services, for Euro 3,333,331, equal to 15.33% of the share capital, and a convertible bond of Euro 6,666,660, plus Euro 1,253,999 in ordinary bonds issued as dividends.
- 23) On 17 March 2015, the Fund underwrote a share capital increase of **Brugola O.E.B. Industriale S.p.A.** for Euro 7,500,000, equal to 15.15% of the share capital (now equal to 15.18% as a result of a price adjustment), a company with its registered office in Lissone (MB) and operating in the production and marketing of special screws and bolts intended for engines for automobiles, light commercial vehicles and light trucks.

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- 24) On 11 May 2016, the Fund increased its participation in **Ligabue Venice Services Holding S.p.A.** (hereinafter, "Ligabue") by Euro 9,000,000, equal to 30.6% of the share capital, plus Euro 5,000,000 for the convertible shareholder loan. Ligabue, with its registered office in Padua, controls 100% of Ligabue S.p.A., an operational holding company owned by the Ligabue Group that provides food products and catering and hospitality services at remote locations (such as on/off shore oil platforms and on board ships).

Divestments of holdings

- 1) On 23 May 2012, the Fund had invested Euro 6,250,000 (32.90% of the share capital) in **Farmol S.p.A.**, a company head-quartered in Comun Nuovo (BG) and operating in the preparation of consumer products, such as aerosols for cosmetics and household cleaning. On 29 November 2013, the holding was sold for a value of Euro 4,493,855; on the same date, the Fund collected dividends equal to Euro 1,756,145 and subscribed to a convertible bond of Euro 3,000,000, which was sold to the majority shareholders on 28 April 2016 for a value of Euro 5,885,000, plus interest accrued.
- 2) On 28 September 2011, the Fund had increased its participation of 10,000,000 in **Eco Eridania S.p.A.**, head-quartered Arenzano (GE), an operational holding of the group of the same name operating in the waste management sector and specialised in the collection, transportation, storage and disposal of special waste. Subsequently, in December 2012 and March 2013, the Fund subscribed to an additional Euro 2,300,000, reaching an investment of 30.6% of the share capital, for an invested total of Euro 12,300,000. On 9 June 2014, Eco Eridania S.p.A. was sold for Euro 21,500,000, of which Euro 16,000,000 was ready cash and Euro 5,500,000 was collected on 17 November 2016.
- 3) On 21 December 2010, the Fund had invested Euro 3,000,000 in **Arioli S.p.A.**, a company with its registered office in a Gerenzano (VA) and operating in the production and marketing of textile machinery. Subsequently, in May 2011 and March 2012, the Fund had subscribed to additional capital increases for a total of Euro 5,727,159, increasing the ownership interest to 32.73%. On 4 July 2014, Arioli S.p.A. was sold for Euro 7,757,332.
- 4) On 16 May 2012, the Fund underwrote a share capital increase for Euro 8,000,000, equal to 32.00% of the share capital, in **Angelantoni Test Technologies S.r.l.**, a company with its registered office in Massa Martana (PG) and operating in the design and production of equipment for materials and systems testing used in various industrial environments. On 29 July 2014, Angelantoni Test Technologies S.r.l. was sold for Euro 11,810,000.
- 5) On 26 September 2012, the Fund underwrote a share capital increase of Euro 20,000,000, equal to 13.60% of the share capital in **Megadyne S.p.A.**, a company with its registered office in Mathi (TO) and operating in the production and marketing of polyurethane and rubber belts, pulleys and other related products. Subsequently, in August 2013, the Fund invested another Euro 2,000,000, after which the ownership interest increased to 14.13% of the capital. On 31 July 2014, the company was sold for Euro 51,502,236, net the costs of the earn-out and the price adjustment.
- 6) On 23 May 2011, the Fund had increased its participation in **Comecer S.p.A.**, a company head-quartered in Castel Bolognese (RA) and operating in the nuclear medicine and isotechnology sector, for Euro 7,500,000, equal to 32.90% of the share capital. On 18 December 2015, the company was sold for Euro 16,500,000.
- 7) On 18 April 2013, the Fund underwrote a share capital increase in **Marsilli S.p.A.**, a company with its registered office in Castelleone (CR) that operates in the design and production of machines and automatic lines for winding and complex systems for the automation industry, for Euro 10,000,000, equal to 13.75% of the share capital. On 30 June 2016, the company was sold for Euro 14,000,000.

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- 8) On 13 June 2011, the Fund underwrote a share capital increase in **Cartour S.r.l.**, a company with its registered office in Messina that is active in the ferrying of commercial vehicles between Sicily and the continent for Euro 17,500,000, equal to 25.36% of the share capital. Subsequently, the Fund exercised its swap right in the parent company Caronte & Tourist S.p.A., which took place on 17 July 2013 through the acquisition through the vehicle of Ferry Investments S.r.l. of 10.11% of Caronte & Tourist S.p.A. from the sale of the investment in Cartour S.r.l. On 14 July 2016, the underlying company Caronte & Tourist S.p.A., owned by Ferry Investments S.r.l., was sold for Euro 35,500,000 and was attributed to the Fund for Euro 35,279,838, Euro 35,200,000 of which was contributed on 21 July 2016 and Euro 79,838 of which was contributed on 29 December 2016 (after the final liquidation of the vehicle).
 - 9) On 29 November 2016, the **Forgital Italy S.p.A. convertible bond** was partially repaid early for Euro 4,975,000.
 - 10) On 30 July 2012, the Fund underwrote a share capital increase in **E.M.A.R.C. S.p.A.**, a company with its registered office in Vinovo (TO) and operating in the production of structural components for vehicles and in the design and implementation of production methods, for Euro 10,000,000, equal to 31.00% of the share capital. On 5 November 2014, the Fund had subscribed to a convertible bond (hereinafter, the Convertible Bond) of Euro 1,000,000. On 10 April 2017, the company was sold for Euro 11,850,000, Euro 1,000,000 of which was collected on the following day, 11 April 2017.
 - 11) On 19 July 2012, the Fund had invested in **Antares Vision S.r.l.**, a company head-quartered in Castel Mella (BS) and operating in the artificial vision technology sector for industrial quality control, for a total of Euro 5,000,000, equal to 21.11% of the share capital. On 19 May 2017, the company was sold for Euro 15,215,300.

The following table shows changes that took place in the investments:

no.	Company name	Value of 31/12/2016	Increases/cap ital gains during period	Sales during period	Decreases/wri te-downs during period	Value of 30/06/2017	Ownersh p share (%)	Shareholder loan as at 30/06/2017	Bonds as at 30/06/2017
1	Geico Lender S.p.A	700,000				700,000	12.10%		
2	BAT S.p.A.	4,548,680				4,548,680	21.60%	321,040	
3	Sanlorenzo S.p.A.	15,000,000				15,000,000	15.96%		
4	Truestar Group S.p.A.	1,700,000			-640,000	1,060,000	24.90%	3,000,000	
5	DBA Group S.r.l.	3,350,000				3,350,000	32.80%		
6	Amut S.p.A.	5,960,000			-760,000	5,200,000	39.80%		
7	IMT S.p.A.	0				0	30.30%		
8	Elco S.p.A.	5,000,000				5,000,000	29.76%		
9	Sira Group S.p.A.	7,400,000				7,400,000	40.35%		
10	TBS Group S.p.A.	10,000,001	2,222,222			12,222,223	13.17%		
11	Rigoni di Asiago S.r.l.	10,002,500				10,002,500	35.55%		
12	La Patria S.r.l.	9,320,049				9,320,049	32.37%		
13	Zeis Excelsa S.p.A.	107,000				107,000	19.99%		8,476,845
14	General Medical Merate S.p.A.	11,800,000				11,800,000	28.85%		
15	Labomar S.r.l.	3,000,000				3,000,000	29.33%		
16	Antares Vision S.r.l.	5,000,000	10,215,300	-15,215,300		0	0.00%		
17	E.M.A.R.C. S.p.A.	4,100,000	6,750,000	-10,850,000		0	0.00%		
18	Mape S.p.A.	0				0	30.07%		
19	Turbocoating S.p.A.	7,500,000				7,500,000	15.25%		2,500,000
20	Surgital S.p.A.	10,600,000				10,600,000	16.00%		
21	Mesgo S.p.A.	8,000,000				8,000,000	32.00%		
22	Forgital Italy S.p.A.	25,025,000				25,025,000	17.00%		0
23	Megadyne S.p.A. (formerly MegaCo S.r.l.)	15,000,000				15,000,000	4.81%		
24	Film Master Group S.p.A.	3,333,331				3,333,331	15.33%		7,920,659
25	Brugola O.E.B. S.p.A.	7,500,000				7,500,000	15.18%		
26	Ligabue Venice Services Holding S.p.A.	9,000,000				9,000,000	30.60%	5,000,000	
TOTAL		182,946,561	19,187,522	-26,065,300	-1,400,000	174,668,783		8,321,040	18,897,504

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Regulatory, compliance and risk profiles

In compliance with the provisions of Directive 2011/61/EU (the so-called AIFMD), the Company identifies, measures, monitors and controls the risks associated with the Fund's portfolio based on a quali-quantitative methodology governed by a special company policy approved by the Board of Directors and implemented through the risk management department.

In this context, issuer, credit, liquidity, rate, market and operating risks are examined according to the type of activity being analysed.

Following the risk management analysis of the Fund's risk profile - exclusively concerning the portfolio held as at 30 June 2017 - the risk was deemed "low" and a slight improvement over the last report. This risk class is also confirmed in light of the overall risks associated with the management of the Fund. These assessments are used to respect limits imposed on the overall risk

of the Fund.

The Company does not implement hedging policies and/or risk mitigation policies. In particular, hedging operations for market risks such as rate risk, exchange risk, credit spread risk and/or volatility risk are not put in place given the ordinary nature of the activities performed. However, as part of the risk management function's reporting to the Corporate Bodies, the results of the risk analysis are presented for the purpose of taking corrective action.

The Fund Regulations do not provide for the use of financial leverage or derivative financial instruments.

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For the Fund's underlying companies, the Company exercised its voting rights as follows:

Company	Meeting date	Actions taken at general shareholder meetings
IEN S.p.A.	19/01/17	Favourable vote for the purchase of 7% in Filmmaster Production S.r.l. shares.
E.M.A.R.C. S.p.A.	17/03/17	Favourable vote for the proposal to modify the E.M.A.R.C. S.p.A. 2014-2022 convertible bond rules with respect to the transferability of bonds and payment of interest.
Geico Lender S.p.A.	21/03/17	Favourable vote regarding the appointment of the Administrative Body.
Geico Lender S.p.A.	31/03/17	Favourable vote regarding the purchase of treasury shares by the company limited to the 11,538 shares held by Arm Engineering S.p.A., up to an amount of no more than Euro 600,000.
Megadyne S.p.a.	05/04/17	Favourable vote for the approval of the financial statements for the year ended 31/12/2016; acknowledgement of the consolidated financial statements as at 31/12/2016.
E.M.A.R.C. S.p.A.	10/04/17	Ordinary Shareholder Meeting: Favourable vote to approve the financial statements for the year ended 31/12/2016; acknowledgement of the consolidated financial statements as at 31/12/2016 and abstained on various matters; Extraordinary Shareholder Meeting: Favourable vote on the proposal to cover the year's loss through partial use of the revaluation reserve pursuant to D.L. [Decreto Legislativo (Legislative Decree)] 185/2008.
Forgital Italy S.p.A.	27/04/17	Favourable vote for the requirements of Article 2364 of the Italian Civil Code.
TBS S.p.A.	27/04/17	Favourable vote for the approval of the financial statements for the year ended 31/12/2016 and acknowledgement of the consolidated financial statements as at 31/12/2016.
TrueStar Group S.p.A.	27/04/17	Favourable vote for the determination of compensation for the new statutory auditors; 'The shareholder Fondo Italiano d'Investimento SGR S.p.A. does not object to the proposal of shareholder True Soul Italia s.r.l. regarding the failure to present the list of holders of category A shares'; Abstained on various matters.
GMM S.p.A.	27/04/2017 - 9/05/2017	First Ordinary Shareholder Meeting: Favourable vote for approval of the financial statements for the year ended 31/12/2016; acknowledgement of the consolidated financial statements as at 31 December 2016. Second Ordinary Shareholder Meeting: Favourable vote for the purchase of 75,000 category C treasury shares.
Mesgo S.p.A.	28/04/17	Favourable vote for approval of the financial statements for the year ended 31/12/2016.
Ligabue S.p.A.	28/04/17	Extraordinary Shareholder Meeting: Favourable vote to authorise the Administrative Body to increase the share capital by payment up to 25.5 million Euros and therefore by 5 million Euros; Ordinary Shareholder Meeting: Favourable vote to approve the annual financial statements for the year ended 31/12/2016; acknowledgement of the consolidated financial statements as at 31/12/2016.
Turbocoating S.p.A.	28/04/17	Favourable vote for approval of the financial statements for the year ended 31/12/2016; acknowledgement of the consolidated financial statements as at 31/12/2016; abstained on various matters.
Geico Lender S.p.A.	28/04/17	Favourable vote for approval of the financial statements for the year ended 31/12/2016; appointment of auditor KPMG S.p.A. for the regulatory audit of the 2017, 2018 and 2019 financial statements; appointment of the Board of Auditors.
Labomar Srl	29/04/17	Favourable vote for approval of the financial statements for the year ended 31/12/2016; abstained on various matters.
Brugola O.E.B. Industriale S.p.A.	04/05/17	Favourable vote for approval of the financial statements for the year ended 31/12/2016; acknowledgement of the consolidated financial statements as at 31/12/2016.
Ligabue S.p.A.	12/05/17	Favourable vote regarding the coverage of losses carried forward from previous financial years.
Labomar Srl	18/05/17	Favourable vote for the determination of fees to be paid to the Board of Directors of the Company for financial year 2017; abstained on various matters.

Rigoni di Asiago Srl	06/06/17	Favourable vote to confirm the appointment of the Board Member representing shareholder ISMEA pursuant to Article 12.1 of the By-laws; favourable vote to approve the financial statements for the year ended 31/12/2016; acknowledgement of the consolidated financial statements as at 31/12/2016; favourable vote to renew BDO Italia S.p.A. as the Independent Auditor for the 2017 - 2019 three-year period with the relevant compensation.
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This Report is drafted in compliance with the Regulations of Banca d'Italia of 19 January 2015 in accordance with the principles of clarity and precision and is a true and faithful representation of the economic and financial situation and the trends of the Fund as at 30 June 2017.

The Interim Management Report is comprised of the following documents:

- 1) Assets and Liabilities Statement,
- 2) Income Section,
- 3) Valuation Criteria

and is accompanied by this Directors' Report of Fondo Italiano d'Investimento SGR S.p.A., as the company that is responsible for the management of the Fondo Italiano di Investimento.

The Interim Report is drafted in Euros and was audited on a voluntary basis by EY S.p.A., which was appointed to perform the accounting control and audit of the annual financial statements of SGR for the financial years 2010 – 2018.

* * *

Assets and Liabilities Statement

As at 30 June 2017, the assets of the Fund are represented by the following items:

- 1) Euro 193,566,287 in financial instruments, comprised of the following:
 - Euro 174,668,783 in non-controlling shareholdings corresponding to the book value of the 22 direct investments;
 - Euro 18,897,504 in debt securities represented by the bonds in the portfolio.
- 2) Euro 8,321,040 in shareholder loans to underlying companies;
- 3) Euro 1,298,163 in connection with the net cash position;
- 4) Euro 2,300,311 in other assets, to include:
 - Euro 1,521,927 represented by accrued interest income on bonds and shareholder loans;
 - Euro 778,384 in accrued tax savings as at 30 June 2011.

The liabilities amount to Euro 125,588 and are represented by allocations and/or invoices during the first half-year.

Income Section

The first half of 2017 closes with profits of Euro **12,397,801**, broken down as follows:

- Euro 6,750,000 in connection with gains on the sale of E.M.A.R.C. S.p.A., completed on 10 April 2017;
- Euro 10,215,503 in connection with gains on the sale of Antares Vision S.r.l., completed on 19 May 2017;
- Euro 2,222,222 in capital gains reported for TBS Group S.p.A., which was sold on 19 July 2017;
- Euro (3,307,380) in connection with the write down of three investments: Euro 1,907,380 for the ordinary bonds issued by Zeis Excelsa S.p.A., Euro 760,000 for AMUT S.p.A. and Euro 640,000 for TruestarGroup S.p.A.;

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- Euro 1,185,212 in connection with dividends paid by some investee companies:
 - Euro 1,118,545 from Mesgo S.p.A.;
 - Euro 66,667 from TBS Group S.p.A.
 - Euro 923,623 for interest income, including (i) Euro 650,883 for bonds and (ii) Euro 272,740, for loans to certain investee companies;
 - Euro (5,400,000) in management fees attributable to the first half-year equal to 1.50% of the total subscribed amounts and calculated in accordance with Article B.4, paragraph a1, of the Fund Regulations;
 - Euro (178,596) in other operating expenses including (i) Euro (133,429) for transaction fees incurred for the portfolio investments, (ii) Euro (39,308) for the costs of the independent auditor, (iii) Euro (2,999) for the printing of the annual report, (iv) Euro (397) for the CONSOB contribution, (v) Euro (2,463) in Depository costs and interest;
 - Euro (15,390) for Depository fees and
 - Euro 2,607 in other income.

for the Board of Directors

The Chairman
Innocenzo Cipolletta

[signature]

Milan, 27 July 2017

STATEMENTS OF THE REPORT

ASSETS AND LIABILITIES STATEMENT

ASSETS	Situation as at 30/06/2017		Situation at end of previous financial year	
	Total value	As a percentage of the assets	Total value	As a percentage of the assets
A. FINANCIAL INSTRUMENTS	193,566,287	94.20	204,240,033	94.51
Unlisted financial instruments				
A2. Non-controlling shareholdings	174,668,783	85.00	182,946,561	84.66
A4. Debt securities	18,897,504	9.20	21,293,472	9.85
C. RECEIVABLES	8,321,040	4.05	8,321,040	3.85
C2. Other	8,321,040	4.05	8,321,040	3.85
F. NET CASH POSITION	1,298,163	0.63	1,033,557	0.48
F1. Cash assets	1,298,163	0.63	1,033,557	0.48
G. OTHER ASSETS	2,300,311	1.12	2,513,028	1.16
G2. Prepaid expenses and accrued income	1,521,927	0.74	1,216,398	0.56
G3. Tax savings	778,384	0.38	778,384	0.36
G4. Other			518,246	0.24
TOTAL ASSETS	205,485,801	100.00	216,107,658	100.00

LIABILITIES AND SHAREHOLDERS' EQUITY	Situation as at 30/06/2017	Situation at end of previous financial year
M. OTHER LIABILITIES	125,588	196,466
M1. Fees and expenses accrued and not yet paid	15,390	20,946
M3. Accrued charges and deferred income	1,445	843
M4. Other	108,753	174,677
TOTAL LIABILITIES	125,588	196,466
TOTAL NET VALUE OF THE FUND	205,360,213	215,911,192
Number of units in circulation	4,800	4,800
Unit value of the units	42,783.378	44,981.498
Total value of amounts to be called up	273,106,593	277,303,153
Unit value of the units to be called up	56,897.207	57,771.490
Redemptions or income distributed	212,914,910	185,769,570
Unit value of the redeemed units	44,357.273	38,701.994

INCOME SECTION

	Report ending 30/06/2017	Report ending 30/06/2016	
A. FINANCIAL INSTRUMENTS			
Unlisted financial instruments			
A1. Holdings	18,972,937	21,648,545	
A1.1 dividends and other income	1,185,212	1,568,545	
A1.2 profits/losses from encashments	16,965,503	4,000,000	
A1.3 capital gains/losses	822,222	16,080,000	
A2. Other unlisted financial instruments	-1,256,497	3,824,256	
A2.1 interest, dividends and other income	650,883	939,256	
A2.2 profits/losses from encashments		2,885,000	
A2.3 capital gains/losses	-1,907,380		
Operating profit financial instruments	17,716,440		25,472,801
C. RECEIVABLES			
C1. interest income and related income	272,740	130,685	
Operating result: receivables	272,740		130,685
Operating result: investments	17,989,180		25,603,486
Gross operating profit	17,989,180		25,603,486
H. FINANCIAL EXPENSES	-1,889	-535	
H1. Interest expenses on loans received			
H1.2 on other loans		-535	
H2. Other financial expenses	-1,889		
Net operating profit	17,987,291		25,602,951
I. OPERATING EXPENSES	-5,592,038	-6,170,787	
I1. SGR management fees	-5,400,000	-5,400,000	
I2. Depositary fees	-15,390	-17,937	
I5. Other operating expenses	-176,648	-752,850	
L. OTHER INCOME AND EXPENSES	2,548	1	
L2. Other income	2,607	1	
L3. Other expenses	-59		
Operating profit before taxes	12,397,801		19,432,165
Total Profit/(Loss) for the period	12,397,801		19,432,165

VALUATION CRITERIA

The valuation criteria applied to determine the value of the Fund's assets are the criteria established by the Regulations on Collective Asset Management Services Title V – Collective Asset Management Bodies issued on 19 January 2015 (hereinafter, the "Banca d'Italia Regulations"). The Company updated these criteria by defining a special policy called "Valuation of Assets and calculation of the NAV of managed funds", which was approved by the Board of Directors on 16 April 2015 and updated on 13 October 2016.

The purpose of valuing the Fund's assets is to correctly determine the asset situation of the Fund itself. For this reason, the Company has equipped itself with the necessary tools to ensure that the Fund's assets are fairly and correctly represented and that their total net value is equal to the current value on the reference date of the valuation of the assets that comprise it, net of any liabilities.

The total net value takes into account the accrued income components directly attributable to the Fund and the effects from executed transactions that have not been settled.

The income and expenses are recorded on an accrual basis regardless of the date of collection and payment.

Therefore, when valuing the net assets of the Fund, the accruals portion of the relevant positive and negative income components are taken into account, among other factors.

The valuation criteria are indicated below:

Unlisted financial instruments

Holdings in unlisted companies are recorded at their purchase cost. They are written down in case of decreases in shareholders' equity of the shareholding and/or deterioration in the economic, asset or financial situation of the company or events that may permanently impact the prospects of that company and the estimated realisable value of its securities. A write-down is applied.

A potential write-down may be defined according to:

- the criteria defined by Banca d'Italia (reflecting the reduction in the net equity of the holding recorded in the last official statement of account, annual financial statements and/or half-year report);
- at the fair value as determined through the valuation process (any write-down is intended to align the book value of the holding with this value).

In exceptional cases, the Company may avoid performing the write-down on the basis of a justified resolution when specific circumstances are in place, such as when the decrease is temporary or irrelevant, as indicated above.

Holdings in unlisted companies may be revalued after a period of typically no less than one year from the investment date based on the criteria established by Banca d'Italia (Articles 2.4.3 and 2.4.6 section II of the Banca d'Italia Regulations).

The costs associated with the due diligence activities and legal, fiscal, accounting and notarial services incurred in all phases of the management of the companies (from acquisition through disposal) are expensed during the reference period on an accrual basis and do not increase the carrying/book value of the underlying company.

Unlisted financial instruments (other than shareholdings)

Securities that are not traded on regulated markets, other than shareholdings (for which the indicated criteria apply), including but not limited to convertible bonds, are valued at their cost of purchase, adjusted as necessary in accordance with their estimated realisable value on the market, based on a

wide range of elements of information ¹considered objectively concerning both the situation of the issuer and of the country of residence and the market.

Listed financial instruments

The value of listed financial instruments is determined according to the last available price recorded on the trading market; in particular, on the basis of the price located in the interval between the ask and the offer (bid-ask-price), which is considered most representative of the fair value on the measurement date. For instruments traded on multiple markets, reference is made to the market with the highest prices, keeping in mind the volumes traded on that market and the operations carried out by the fund.

If the listed financial instrument shows limited trading volumes and few exchanges, this instrument is valued in accordance with the criteria established for unlisted financial instruments.

Discounts are not applied to prices negotiated on regulated markets, unless there are agreements or legal or regulatory constraints that would impact the price of the units undergoing valuation.

Receivables

The acquired receivables are valued in accordance with their estimated realisable value.

This value is calculated taking into account the following:

- the market prices, where available;
- the characteristics of the receivables.

When calculating the estimated realisable value, negative economic trends impacting certain operating sectors as well as specific geographical areas may also be taken into account. The associated write-downs may also be determined on a flat-rate basis.

Receivables connected to holdings (currently in the portfolio or sold in accordance with the provisions of the Fund's management regulations) are considered in this item. In general, the receivables are valued at their nominal value. However, if these receivables arise from loans granted by the Fund to issuers of the financial instruments held in the portfolio, the valuation of said receivables shall be consistent with the valuation process of the holding.

Other assets potentially held by the Fund

The other assets potentially held by the Fund, other than those described in the above paragraphs, are valued based on the most recent price recorded on the reference market, corrected as necessary based on the other available objective elements, potentially including valuations performed by independent experts.

In any event, the following are valued according to their nominal value:

- liquid assets;
- debt positions. For loans repayable by instalments, reference is made to the outstanding capital debt;
- on-demand bank deposits.

¹ SGR is responsible for taking the steps to verify the reliability of any information that it receives with due professional diligence for the valuation of the units. Therefore, if the information elements used are later found to be unreliable, the prior value of the units will not need to be recalculated (in accordance with the Banca d'Italia Regulations).

Other information

Items denominated in currencies other than the currency of the Fund are converted into Euros based on the current exchange rates on the reference date of the valuation using the reference exchange rates produced by the European Central Bank (ECB).

Forward currency transactions are converted at the current forward exchange rate for maturities corresponding to those of the transactions being valued.

Assets received as collateral are recorded in the memorandum accounts at their current value.

Income and expenses

Interest and other income and expenses are recorded on an accrual basis regardless of the date of collection and payment through the appropriate entries of accrued income and expenses.

Substitute tax: taxation

With reference to the taxation of Italian mutual funds, Law No. 10 of 26 February 2011 introduced significant modifications to the tax regime for mutual funds. In particular, for Italian and foreign mutual funds, the taxation regime on the results achieved through the management of the fund has been cancelled, whereby the SGR directly applied a tax of 12.50% on the increase in value generated over the year. Starting 1 July 2011, taxation takes place at the level of the results achieved by the participants at the time of collection of the proceeds. Consequently, the unit value as at 30 June 2011 represents the basis for the tax calculation in the event of distribution of proceeds.

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Fondo Italiano D'investimento Sgr S.p.A., out of respect for the environment, printed these financial statements on paper derived from responsibly managed forests, in accordance with FSC® (Forest Stewardship Council®) criteria
