# Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.) and companies comprising the Alantra Group (formerly N+1 Group)

Consolidated Financial Statements
and Directors' Report
as at and for the year ended
31 December 2016 and
the Audit Report thereon

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.*

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*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.*

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.),

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.) ("the Company" or "the Parent") and companies composing, together with the Company, the Alantra Group (formerly N+1 Group) -"the Group"-, which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

*Directors' Responsibility for the Consolidated Financial Statements*

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.) and companies composing the Alantra Group (formerly N+1 Group) in accordance with the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2.1 to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

*Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.) and companies composing the Alantra Group (formerly N+1 Group) as at 31 December 2016, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

**Report on Other Legal and Regulatory Requirements**

The accompanying consolidated directors' report for 2016 contains the explanations which the Parent's directors consider appropriate about the situation of Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.) and companies composing the Alantra Group (formerly N+1 Group), the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.) and companies composing the Alantra Group (formerly N+1 Group).

DELOITTE, S.L.
Registered in ROAC under no. S0692

Antonio Ríos Cid

24 March 2017

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.*

# ALANTRA PARTNERS, S.A. (FORMERLY NMÁS1 DINAMIA, S.A.) AND COMPANIES COMPRISING THE ALANTRA GROUP (FORMERLY N+1 GROUP)

## CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015 (NOTES 1 TO 4)

(Thousands of euros)

| ASSETS | Note | 31/12/2016 | 31/12/2015(*) |
|---|---|---|---|
| NON-CURRENT ASSETS | | 103,837 | 65,791 |
| INTANGIBLE ASSETS | | | |
| Goodwill | 6 | 34,034 | 3,634 |
| Other intangible assets | 6 | 1,226 | 57 |
| PROPERTY AND EQUIPMENT | 7 | 2,356 | 1,764 |
| INVESTMENT PROPERTY | | - | - |
| INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD | 8 | 16,117 | 12,403 |
| NON-CURRENT FINANCIAL ASSETS | 9 | 47,235 | 47,887 |
| DEFERRED TAX ASSETS | 19 | 2,869 | 46 |
| OTHER NON-CURRENT ASSETS | | - | - |
| CURRENT ASSETS | | 150,961 | 147,249 |
| NON-CURRENT ASSETS HELD FOR SALE | | - | - |
| TRADE AND OTHER RECEIVABLES | | | |
| Trade receivables | 10 | 26,539 | 20,472 |
| Other receivables | 10 | 4,154 | 1,755 |
| Current tax assets | 19 | 9,313 | 7,102 |
| OTHER CURRENT FINANCIAL ASSETS | 11 | 8,683 | 3,810 |
| OTHER CURRENT ASSETS | 12 | 660 | 765 |
| CASH AND CASH EQUIVALENTS | 13 | 101,612 | 113,345 |
| TOTAL ASSETS | | 254,798 | 213,040 |

| LIABILITIES AND EQUITY | Note | 31/12/2016 | 31/12/2015(*) |
|---|---|---|---|
| EQUITY | | 189,860 | 183,912 |
| *OWN FUNDS-* | | 182,742 | 175,667 |
| CAPITAL | | | |
| Issued capital | 14 | 106,611 | 101,011 |
| Less: Uncalled capital | | | |
| SHARE PREMIUM | 14 | 92,062 | 105,492 |
| RESERVES | 14 | (39,848) | (93,207) |
| LESS: TREASURY SHARES AND OWN EQUITY INSTRUMENTS | 14 | (1,138) | (460) |
| RETAINED EARNINGS (PRIOR-YEAR LOSSES) | | - | - |
| OTHER OWNER CONTRIBUTIONS | | - | - |
| PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT | 14 & 23 | 25,055 | 65,686 |
| LESS: INTERIM DIVIDEND | 14 | | (2,855) |
| OTHER EQUITY INSTRUMENTS | 14 | - | - |
| *CUMULATIVE OTHER COMPREHENSIVE INCOME:* | | 3,615 | 3,428 |
| ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT AND LOSS FOR THE PERIOD | | - | - |
| ITEMS THAT CAN BE SUBSEQUENTLY RECLASSIFIED TO PROFIT AND LOSS FOR THE PERIOD | | | |
| Available-for-sale financial assets | 9 | 2,806 | 2,567 |
| Hedging transactions | | - | - |
| Translation differences | 8 | 809 | 861 |
| Others | | - | - |
| EQUITY ATTRIBUTED TO THE PARENT | | 186,357 | 179,095 |
| *NON-CONTROLLING INTERESTS* | 15 | 3,503 | 4,817 |
| NON-CURRENT LIABILITIES | | 15,733 | 3,021 |
| NON-CURRENT PROVISIONS | 16 | 1,844 | 1,451 |
| NON-CURRENT FINANCIAL LIABILITIES | 17 | 11,970 | - |
| DEFERRED TAX LIABILITIES | 19 | 1,917 | 1,568 |
| OTHER NON-CURRENT LIABILITIES | | 2 | 2 |
| CURRENT LIABILITIES | | 49,205 | 26,107 |
| LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE | | - | - |
| CURRENT PROVISIONS | | - | - |
| CURRENT FINANCIAL LIABILITIES | 17 | 1,258 | - |
| TRADE AND OTHER PAYABLES | | | |
| Suppliers | 18 | 5,668 | 3,163 |
| Other payables | 18 | 40,147 | 21,157 |
| Current tax liabilities | 19 | 1,909 | 1,113 |
| OTHER CURRENT LIABILITIES | 12 | 223 | 674 |
| TOTAL EQUITY AND LIABILITIES | | 254,798 | 213,040 |

(*) Presented solely and exclusively for comparison purposes (see Note 2.7)

The accompanying Notes 1 to 31 and the Appendices 1 and 2 are an integral part of the consolidated balance sheet at 31 December 2016

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.*

# ALANTRA PARTNERS, S.A. (FORMERLY NMÁS1 DINAMIA, S.A.) AND COMPANIES COMPRISING THE ALANTRA GROUP (FORMERLY N+1 GROUP)

## CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015 (NOTES 1 TO 4)

(Thousands of euros)

| | Note | 2016 | 2015 (*) |
|---|---|---|---|
| REVENUE | 24 | 90,217 | 65,293 |
| Income from provision of services | | 93,910 | 67,458 |
| Transfers to third parties for joint execution | | (3,693) | (2,165) |
| OTHER OPERATING INCOME | | 43 | 9 |
| PERSONNEL EXPENSES | 25 | (47,881) | (33,969) |
| OTHER OPERATING EXPENSES | 26 | (23,006) | (17,097) |
| DEPRECIATION AND AMORTISATION | 6 & 7 | (490) | (366) |
| NON-FINANCIAL AND OTHER CAPITAL GRANTS | | - | - |
| IMPAIRMENT LOSSES AND GAINS (LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS | | (26) | 2 |
| OTHER INCOME (EXPENSE) | 1 | - | 53,561 |
| **OPERATING PROFIT (LOSS)** | | 18,857 | 67,433 |
| FINANCE INCOME | 9, 11 & 13 | 225 | 2,485 |
| FINANCE COSTS | 17 | (29) | - |
| CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS | 9 | 2,493 | (335) |
| EXCHANGE DIFFERENCES | 3 - t | 177 | 159 |
| IMPAIRMENT LOSSES AND GAINS (LOSSES) ON DISPOSAL OF FINANCIAL INSTRUMENTS | 2.14, 8, 9, 10 & 27 | 8,340 | (380) |
| **NET FINANCE INCOME (EXPENSE)** | | 11,206 | 1,929 |
| SHARE OF PROFIT (LOSS) OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD | 23 | 2,520 | 2,042 |
| **PROFIT (LOSS) BEFORE TAX** | | 32,583 | 71,404 |
| INCOME TAX | 19 | (5,289) | (4,166) |
| **PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS** | | 27,294 | 67,238 |
| PROFIT (LOSS) AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS | | - | - |
| **CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD** | | 27,294 | 67,238 |
| PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT | | 25,055 | 65,686 |
| PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 15 | 2,239 | 1,552 |
| **EARNINGS PER SHARE (euros)** | | | |
| Basic | 4 | 0.74 | 2.40 |
| Diluted | 4 | 0.72 | 2.44 |

(*) Presented solely and exclusively for comparison purposes

The accompanying Notes 1 to 31 and the Appendices 1 and 2 form an integral part of the consolidated income statement for the year ended 31 December 2016

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.*

# ALANTRA PARTNERS, S.A. (FORMERLY NMÁS1 DINAMIA, S.A.) AND COMPANIES COMPRISING THE ALANTRA GROUP (FORMERLY N+1 GROUP)

## CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015 (NOTES 1 to 4)

(Thousands of euros)

| | Note | 2016 | 2015 (*) |
|---|---|---|---|
| **CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD:** | | **27,294** | **67,238** |
| **OTHER COMPREHENSIVE INCOME – AMOUNTS THAT CANNOT BE RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD** | | - | - |
| **From revaluation (reversal of revaluation) of property and equipment and intangible assets** | | - | - |
| **Actuarial gains and losses** | | - | - |
| **Share in other comprehensive income from investments in joint ventures and associates** | | - | - |
| **Other income and expenses not reclassified to profit or loss for the period** | | - | - |
| **Tax effect** | | - | - |
| **OTHER COMPREHENSIVE INCOME – AMOUNTS THAT CAN BE RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD** | | **128** | **3,006** |
| **Available-for-sale financial assets-** | | **299** | **3,174** |
| Valuation gains (losses) | 9 | 299 | 3,174 |
| Amounts transferred to income statement | 9 | - | - |
| Other reclassifications | | - | - |
| **Cash flow hedges** | | - | - |
| Valuation gains (losses) | | - | - |
| Amounts transferred to income statement | | - | - |
| Amounts transferred to the initial carrying amount of hedged items | | - | - |
| Other reclassifications | | - | - |
| **Exchange differences** | | **(52)** | **284** |
| Valuation gains (losses) | 8 | (52) | 284 |
| Amounts transferred to income statement | | - | - |
| Other reclassifications | | - | - |
| **Share in other comprehensive income from investments in joint ventures and associates** | | - | - |
| Valuation gains (losses) | | - | - |
| Amounts transferred to income statement | | - | - |
| Other reclassifications | | - | - |
| **Other income and expenses that can be reclassified to profit or loss for the period** | | **(59)** | **467** |
| Valuation gains (losses) | 15 | (59) | 467 |
| Amounts transferred to income statement | | - | - |
| Other reclassifications | | - | - |
| **Tax effect** | 9 | **(60)** | **(919)** |
| **TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD** | | **27,422** | **70,244** |
| ATTRIBUTABLE TO THE PARENT | | 25,242 | 68,225 |
| ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 15 | 2,180 | 2,019 |

(*) Presented solely and exclusively for comparison purposes

The accompanying Notes 1 to 31 and the Appendices 1 and 2 form an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2016

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.*

# ALANTRA PARTNERS, S.A. (FORMERLY NMÁS1 DINAMIA, S.A.)
## AND COMPANIES COMPRISING THE ALANTRA GROUP (FORMERLY N+1 GROUP)
### CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015 (NOTES 1 TO 4)

(Thousands of euros)

| | Equity attributable to the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Share premium | Reserves | Less: Treasury shares and own equity instruments | Profit (loss) for the period | Less: Interim dividends | Other equity instruments | Total own funds | Cumulative other comprehensive income | Non-controlling interests | Total equity |
| CLOSING BALANCE AT 31 DECEMBER 2014 (*) | 2,471 | 28,129 | 748 | (40) | 14,140 | (5,987) | (32) | 39,427 | 889 | 6,253 | 46,569 |
| Adjustments for changes in accounting criteria | - | - | - | - | - | - | - | - | - | - | - |
| Restatements to correct errors | - | - | - | - | - | - | - | - | - | - | - |
| RESTATED OPENING BALANCE AT 1 JANUARY 2015 (*) | 2,471 | 28,129 | 748 | (40) | 14,140 | (5,987) | (32) | 39,427 | 889 | 6,253 | 46,569 |
| Total recognised income and expense | - | - | - | - | 65,686 | - | - | 65,686 | 2,539 | 2,019 | 70,244 |
| Transactions with shareholders and owners | | | | | | | | | | | |
| Compensation transferred from takeover (Note 1) | | | | | | | | | | | |
| Equity issues | 52,173 | 82,955 | - | - | - | - | - | 135,128 | - | - | 135,128 |
| Other adjustments | 46,367 | 13,802 | (102,967) | 40 | - | - | - | (42,758) | - | - | (42,758) |
| Shares cancelled | - | - | - | - | - | - | - | - | - | - | - |
| Conversion of financial liabilities into equity | - | - | - | - | - | - | - | - | - | - | - |
| Dividend distribution | - | (19,394) | (1,147) | - | - | (2,855) | - | (23,396) | - | - | (23,396) |
| Transactions with treasury shares and own equity instruments (net) | - | - | - | (460) | - | - | - | (460) | - | - | (460) |
| Increases (decreases) in equity resulting from business combinations | - | - | - | - | - | - | - | - | - | - | - |
| Other transactions with shareholders and owners | - | - | 1,934 | - | - | - | 32 | 1,966 | - | (3,455) | (1,489) |
| Other changes in equity | | | | | | - | | | | | |
| Share-based payments | - | - | - | - | - | - | - | - | - | - | - |
| Transfers between equity items | - | - | - | - | - | - | - | - | - | - | - |
| Other changes | - | - | 8,227 | - | (14,140) | 5,987 | - | 74 | - | - | 74 |
| CLOSING BALANCE AT 31 DECEMBER 2015 | 101,011 | 105,492 | (93,207) | (460) | 65,686 | (2,855) | - | 175,667 | 3,428 | 4,817 | 183,912 |
| Adjustments for changes in accounting criteria | | | | | | | | | | | |
| Restatements to correct errors | | | | | | | | | | | |
| RESTATED OPENING BALANCE AT 1 JANUARY 2016 (*) | 101,011 | 105,492 | (93,207) | (460) | 65,686 | (2,855) | - | 175,667 | 3,428 | 4,817 | 183,912 |
| Total recognised income and expense | - | - | - | - | 25,055 | - | - | 25,055 | 187 | 2,180 | 27,422 |
| Transactions with shareholders and owners | | | | | | | | | | | |
| Equity issues | 5,600 | 12,002 | (2,877.00) | - | - | - | - | 14,725 | - | - | 14,725 |
| Shares cancelled | - | - | - | - | - | - | - | - | - | - | - |
| Conversion of financial liabilities into equity | - | - | - | - | - | - | - | - | - | - | - |
| Dividend distribution | - | (25,432) | - | - | - | - | - | (25,432) | - | - | (25,432) |
| Transactions with treasury shares and own equity instruments (net) | - | - | - | (678) | | - | - | (678) | - | - | (678) |
| Increases (decreases) in equity resulting from business combinations | - | - | - | - | - | - | - | - | - | - | - |
| Other transactions with shareholders and owners | - | - | (7,252) | - | - | - | - | (7,252) | - | (3,494) | (10,746) |
| Other changes in equity | | | | | | | | | | | |
| Share-based payments | - | - | - | - | - | - | - | - | - | - | - |
| Transfers between equity items | - | - | - | - | - | - | - | - | - | - | - |
| Other changes | - | - | 63,488 | - | (65,686) | 2,855 | - | 657 | - | - | 657 |
| CLOSING BALANCE AT 31 DECEMBER 2016 | 106,611 | 92,062 | (39,848) | (1,138) | 25,055 | - | - | 182,742 | 3,615 | 3,503 | 189,860 |

(*) Presented solely and exclusively for comparison purposes (see Note 2.7)

The accompanying Notes 1 to 31 and the Appendices 1 and 2 are an integral part of the consolidated statement of total changes in equity for the year ended 31 December 2016

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.*

# ALANTRA PARTNERS, S.A. (FORMERLY NMÁS1 DINAMIA, S.A.) AND COMPANIES COMPRISING THE ALANTRA GROUP (FORMERLY N+1 GROUP)

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015 (NOTES 1 to 4)

(Thousands of euros)

| | Note | 2016 | 2015 (*) |
|---|---|---|---|
| **1. CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES** | | | |
| **Profit (loss) before tax** | | 20,016 | 27,091 |
| **Adjustments to profit (loss)** | | 32,583 | 71,404 |
| Depreciation and amortisation | | (7,850) | 4,388 |
| Other adjustments to profit (loss) (net) | 6 & 7 | 490 | 366 |
| **Changes in working capital** | | (8,340) | 4,022 |
| Trade and other receivables | | (5,519) | 3,316 |
| Other current assets | 10 | (11,344) | 34,714 |
| Trade and other payables | 11 & 12 | (653) | (3,256) |
| Other current liabilities | 17 | 14,053 | 9,791 |
| Other non-current assets and liabilities | 12 | (451) | 504 |
| **Other cash flows from (used in) operating activities:** | 6, 7, 9 & 18 | (7,124) | (38,437) |
| Dividends received | | 802 | (52,017) |
| Income tax receipts (payments) | | - | - |
| Other cash received from (paid on) operating activities | 19 | (4,580) | (10,085) |
| | 9, 14 & 15 | 5,382 | (41,932) |
| **2. CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES** | | | |
| **Payments for investments** | | (17,042) | 83,910 |
| Group companies, associates and business units | | (48,180) | (7,275) |
| Property and equipment, intangible assets and investment property | 2.14 | (26,480) | (3,593) |
| Other financial assets | 6 & 7 | (269) | (657) |
| Other assets | 9 | (21,431) | (3,025) |
| **Proceeds from disposals** | | - | - |
| Group companies, associates and business units | | 31,138 | 55,367 |
| Property and equipment, intangible assets and investment property | 2.14 | - | 52,983 |
| Other financial assets | 6 & 7 | - | 35 |
| Other assets | 9 | 31,138 | 2,349 |
| **Other cash flows from (used in) investing activities** | | | - |
| Dividends received | | - | 35,818 |
| Interest received | | - | - |
| Other cash received from (paid on) investing activities | | - | - |
| Other business units | | - | - |
| | 1 | - | 35,818 |
| **3. CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES** | | | |
| **Proceeds from (payments for) equity instruments** | | (14,707) | (23,091) |
| Issuance | | (678) | 305 |
| Cancellation | | - | - |
| Acquisition | | - | - |
| Disposal | 14 | (678) | (548) |
| **Proceeds from (payments for) financial liabilities** | 14 | | 853 |
| Issuance | | 2,616.00 | - |
| Repayment and redemption | 17 | 2,616.00 | - |
| **Dividends paid and payments on other equity instruments** | | | - |
| **Other cash flows from (used in) financing activities** | 4 & 14 | (16,645) | (23,396) |
| Interest paid | | - | - |
| Other cash received from (paid on) financing activities | | - | - |
| | | - | - |
| **4. EFFECT OF CHANGES IN EXCHANGE RATES** | | - | - |
| **5. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3+4)** | | (11,733) | 87,910 |
| **Cash and cash equivalents, opening balance** | 13 | 113,345 | 25,435 |
| **Cash and cash equivalents, closing balance** | 13 | 101,612 | 113,345 |

(*) Presented solely and exclusively for comparison purposes

The accompanying Notes 1 to 31 and the Appendices 1 and 2 form an integral part of the consolidated statement of cash flows for the year ended 31 December 2016

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.*

# Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.) and companies comprising the Alantra Group (formerly N+1 Group)

Notes to the Consolidated Financial Statements
for the year ended
31 December 2016

## 1. Description of the Alantra Group and the takeover of the former N Más Uno IBG, S.A. by Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.) (reverse merger takeover)

Alantra Partners, S.A. (hereinafter, the Company) was incorporated on 11 November 1997 as Dinamia Capital Privado, Sociedad de Capital Riesgo, S.A. The deed for the takeover of N Más Uno IBG, S.A. (hereinafter, N+1 IBG) by the Company was entered in the Madrid Companies Register on 20 July 2015. This transaction (hereinafter, the Merger or Takeover) (further information hereon) resulted in N Más Uno IBG, S.A. ceasing to exist and the Company changing its name to Nmás1 Dinamia, S.A. and also losing its status as a private equity firm. On 4 January 2017, as a result of the change to the Group's name, the Company changed its name to the present one (see further below).

The Company's corporate purpose therefore encompasses the following activities:

1. Provision of financial advisory services.

2. Management of any property or assets, in accordance with any prevailing legal requirements.

3. Acquisition and holding of shares and equity stakes in other companies whose corporate purpose is, pursuant to any prevailing legal requirements, financial brokerage, management of any type of asset including investment funds or portfolios of any type, and provision of all types of investment services.

4. Acquisition, holding and disposal of shares or equity stakes in any type of company; granting participating loans or other forms of finance to any type of company; investment in any securities or financial instruments, assets, movable property or real estate, or rights, in accordance with any prevailing legal requirements, in order to generate a return on said shares or equity stakes in companies and investments.

The activities comprising the corporate purpose may be performed by the Company in whole or in part, or indirectly through ownership of shares or equity stakes in companies with an identical or similar corporate purpose.

The Company carries out its business in Spain from its offices at calle Padilla, 17 in Madrid.

The Bylaws and other public information may be consulted at the Company's registered office and on its website (www.alantra.com).

The Company is the parent of a group (hereinafter, the Group or the N+1 Group) comprising various companies carrying out financial advisory and consultancy services to businesses and institutions in Spain and abroad. They also provide investment and associated services; advice on asset management; advice, administration and management for private equity firms, collective investment schemes (hereinafter, CISs) and companies involved in acquiring direct stakes in companies (see Note 2.14). Also, at 31 December 2016 the Group had a representative office in China.

On 26 September 2016 the Company issued a material disclosure (*hecho relevante*) to the Spanish securities exchange authority, the Comisión Nacional del Mercado de Valores (CNMV), regarding the change in the trademark of the Group it heads. Since that date, the subsidiaries in the Alantra Group have approved the respective changes to their corporate names in order to replace "N+1", "Nmás1" or "Nplusone" with "Alantra". Appendix 1 details the name changes for each company in the Alantra Group. With respect to the Company, on 4 January 2017 there was entered in the Companies Registry the change of name from Nmás1 Dinamia, S.A. to Alantra Partners, S.A., previously approved by the General Meeting of 13 December 2016. With this new trademark (and registered corporate name), the Alantra Group (formerly known as the N+1 Group) has set the goal of creating a single distinctive mark that identifies a new stage in its development as a company with a strong international focus.

On 29 July 2015, the Company's 17,390,984 new shares were admitted to trading on the Madrid and Barcelona stock exchanges through the Spanish electronic trading platform (*Sistema de Interconexión Bursátil*). These shares were issued for exchange in the Takeover and added to the shares that the Company already had in circulation. Since that date, the Alantra Group's (formerly N+1 Group) activity described in the paragraph above is therefore performed within a group whose parent is a listed company.

Alantra Equities, Sociedad de Valores, S.A. was incorporated on 10 January 2011. It was solely owned by Nmás1 Research, S.L. (both companies were subsequently merged to create Alantra Equities, Sociedad de Valores, S.A. (see Note 2.14)). Since then, N+1 IBG regained its previous status as parent of a consolidable group of investment services companies. After the Merger, the Alantra Group continued to be a consolidable group of investment services companies and the Company became the parent thereof.

**Takeover of the former N Más Uno IBG, S.A. by the Company (reverse merger takeover)**

On 18 December 2014, the boards of directors of the Company and N Más Uno IBG, S.A. approved the merger of the Company with N+1 IBG. On 23 February 2015, the boards of both companies approved and co-signed the Joint Merger Plan for both companies. This Joint Merger Plan and the agreements on the Merger were signed off by both companies' shareholders at their respective general meetings held on 29 April 2015. The Merger involved the absorption of N+1 IBG (legal acquiree) by the Company (legal acquirer), with the winding up without liquidation of N+1 IBG and the *en bloc* transfer of all its assets and liabilities to the Company, which acquired by universal succession all N+1 IBG's rights and obligations. As a result of the Merger, N+1 IBG shareholders received shares in the Company by way of exchange, along with cash compensation as per Article 25 of the Act on Structural Changes to Companies to cover any unsettled fractions in one-to-one exchanges.

The Company's portfolio of holdings in investees was simultaneously spun off as part of the planned merger, and transferred en bloc to a new company, Nmás1 Dinamia Portfolio, S.L. (now known as Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A.), which was initially solely owned by the Company. This spin-off was the object of the corresponding Spin-off Plan prepared by the Company's Board of Directors who prepared the Joint Merger Plan and approved by the Company's shareholders at the same General Meeting at which the latter was signed off.

The merger balance sheets are those closed by N+1 IBG and the Company at 31 December 2014; both authorised for issue by shareholders at the respective general meetings. Moreover, irrespective of the fact that as legal acquiree, N+1 IBG legally ceases to exist, since the transaction met requirements to be considered a

"reverse merger takeover for accounting purposes", the acquirer was N+1 IBG and the Company was the acquiree. Thus, the carrying amount of N+1 IBG's assets and liabilities was not affected by the Merger, while the assets and liabilities of the Company – acquiree for economic purposes, were recognised at fair value at the time of the Merger, without prejudice to the manner in which the aforesaid spin-off was recognised. Nonetheless, equity calculated in this manner was restructured to take into consideration that the capital remaining after the Merger was that of N+1 IBG, adjusted by the exchange calculation. Any adjustments deriving from this restructuring were booked against share premium and reserves in the 31 December 2014 balance sheet.

Pursuant to the Joint Merger Plan, the exchange calculation was 7.566 shares in the Company (with a nominal value of €3 each) for every Class A or Special Class N+1 IBG share (nominal value of €0.10 each); and 151.325 shares in the Company (with a nominal value of €3 each) for every Class E N+1 IBG share (nominal value of €2 each), as well as cash compensation. The Company therefore delivered a total of 21,504,158 shares (4,113,174 treasury shares – 4,060,356 issued as a result of the withdrawal right (described hereon) and 52,818 shares held by the Company – and 17,390,984 newly issued shares of the same class and series and conferring the same rights as those already in circulation). Capital was thus increased by €52,172,952 with a share premium of €82,954,933.68, amounting to €4.77 per share (see Note 14). Each of these shareholders received cash compensation for the unsettled fractions, resulting in a total payment of €122.32. As a result of the exchange, the bearer certificates for the N+1 IBG share were cancelled and its shares ceased to exist.

The number of treasury shares held by N+1 IBG and the Company prior to the date of the Joint Merger Plan were included in the exchange calculation. In particular, at the date of drawing up the Joint Merger Plan, N+1 IBG held 51 Class E treasury shares that had been redeemed, representing 0.036% of its capital. As explained beforehand, the Company held 52,818 treasury shares representing approximately 0.43% of its capital, which were considered in the share issue within the framework of the Merger. In addition, the calculation of the exchange ratio took into consideration various dividend distributions by N+1 IBG and by the Company.

The exchange calculation was verified by an independent expert appointed by the Madrid Companies Registry. Banco Santander, S.A., in its capacity as advisor to the Company, also issued a fairness opinion, addressed to the Company's Board of Directors, in which it stated that the agreed-upon exchange calculation was fair from a financial standpoint. Banco Bilbao Vizcaya Argentaria, S.A., meanwhile, issued a valuation report, addressed to N+1 IBG's board of directors, in which it provided a comparison of the valuations of both companies using different possible methods.

As a result of the variation in corporate purposes stemming from integrating the business of the Pre-merger N+1 Group, and given the substantial change this represented, the Company's shareholders were entitled to exercise the right of withdrawal laid down in the Corporate Enterprises Act (*Ley de Sociedades de Capital*).

On 12 June 2015, the Company issued a material disclosure reporting that shareholders holding 4,060,356 shares, representing 24.94% of the Company's capital at 31 December 2014, had exercised the right to withdrawal. Consequently, in order to honour the withdrawal right, the Company acquired treasury shares from those shareholders exercising said right, paying €8.1305 per share, equivalent to the average price of the Company's shares over the quarter preceding the date on which the merger resolution was adopted by shareholders at the 29 April 2015 General Meeting. The Company paid out a total of €33,012,724.46 in this regard.

The Merger took effect for accounting purposes on 9 July 2015 when the merger deed was filed at the Madrid Companies Registry, carrying an entry date of 20 July 2015. The conditions precedent stipulated in the Joint Merger Plan had previously been met.

The Merger was subject to the special tax regime established in Chapter VIII, Title VII of Act 27/2014 of 27 November, on corporation tax, which was reported to the Spanish tax authorities (see Note 18).

The Merger – classified for accounting purposes as a "reverse merger takeover" – was recognised in accordance with IFRS 3 "Business Combinations" (see Note 3 w)). The consideration transferred was calculated using the fair value of the Company's equity instruments (legal parent and acquiree for accounting purposes). To this end, the Company's directors considered that the Company's market capitalisation was the best reference for said fair value given that the Company was listed on a secondary market whose share price was affected by the performance of an active market. The consideration paid was therefore calculated as the sum of multiplying the share price at 9 July 2015 (the date of the Merger for accounting purposes) by the 12,166,026 shares of the Company in circulation at the acquisition date, which equals €92,340 thousand. As the net fair value of the identifiable assets acquired and liabilities assumed by the Company exceeded the consideration paid (no non-controlling interests), a gain of €53,561 thousand was recognised under "Other income (expense)" in the 2015 consolidated income statement. Due to the Merger, €35,818 thousand was included corresponding to the balance of the Company's cash and cash equivalents at the time of the Merger.

Details of subsidiaries, jointly-controlled entities and associates at 31 December 2016, and relevant information thereon, are provided below:

| Present name | Registered office | Activity | % | |
|---|---|---|---|---|
| | | | Investee | Investee |
| **Controlling company:** | | | | |
| Alantra Partners, S.A. | Madrid | Financial advisory and consultancy services | n/a | n/a |
| **Subsidiaries** | | | | |
| Alantra International Corporate Advisory, S.L. (5) | Madrid | Holding, usufruct and disposal of shares and stakes in non-listed companies | 95.30 | - |
| Alantra Corporate Finance, S.A.U. (5) (9) | Madrid | Financial advisory and consultancy services | - | 95.30 |
| Alantra Corporate Portfolio Advisors, S.L. (9) | Madrid | Financial advisory and consultancy services | - | 66.71 |
| Alantra s.r.l. (5) | Milan | Financial advisory and consultancy services | - | 81.01 |
| Alantra Deutschland GmbH (5) | Frankfurt | Financial advisory services | - | 95.30 |
| N+1 France Corporate Finance SAS (15) (5) | Paris | Financial advisory services | - | 57.18 |
| N+1 U.S. Corporation LLC (5) (10) (14) | Wilmington | Financial advisory services | - | 95.30 |
| Alantra, LLC (2) (10) (11) | Boston | Financial advisory services | - | 95.30 |
| Downer & Company, S.A.S. (2) (11) | Paris | Financial advisory services | - | 95.30 |
| C.W. Downer & Co. India Advisors LLP (2) (11) | Mumbai | Financial advisory services | - | 94.35 |
| Másuno Portugal Corporate Finance, Unipessoal LDA (1) (2) (5) | Lisbon | Financial advisory services | - | 76.24 |
| Alantra Nordics AB (1) (2) (5) | Stockholm | Financial advisory services | - | 76.02 |
| Alantra Corporate Finance, B.V. (5) (14) | Amsterdam | Financial advisory services | - | 95.30 |
| Alantra Greece Corporate Advisors, S.A. (1) (5) | Atenas | Financial advisory services | - | 83.39 |
| Nmás1 Chile SPA (1) (5) (13) | Santiago de Chile | Financial advisory services | | 95.30 |
| Alantra Investment Managers, S.L.U. (7) | Madrid | Financial advisory services | 100 | - |
| Alantra Private Equity Advisor, S.A.U. (7) | Madrid | Financial advisory and consultancy services | - | 100 |
| Nmás1 Private Equity International S.à.r.l (7) (12) | Luxembourg | General Partner of private equity investment firms | - | 100 |
| Alantra Capital Privado, S.G.E.I.C., S.A.U. (3) (7) | Madrid | Administration and management of venture capital firms | - | 100 |
| Alantra Private Equity Servicios, S.L.U. (3) | Madrid | Financial advisory and consultancy services | - | 100 |
| Mercapital Private Equity, S.G.E.I.C., S.A.U. (7) (8) | Madrid | Administration and management of venture capital firms | - | 100 |
| Paulonia Servicios de Gestión, S.L.U. (8) | Madrid | Financial advisory services | - | 100 |
| Partilonia Administración, S.L.U. (8) | Madrid | Financial advisory services | - | 100 |
| Mideslonia Administración, S.L.U. (8) | Madrid | Financial advisory services | - | 100 |
| Flenox, S.L.U. (8) | Madrid | Financial advisory services | - | 100 |
| EQMC GP LLC (14) (7) | Wilmington | General Partner of investment vehicles | - | 100 |
| Alteralia Management S.à.r.l. (15) (7) | Luxembourg | General Partner of investment vehicles | - | 100 |
| Alantra Asset Management, S.G.I.I.C, S.A.U. (6) | Madrid | Administration and management of CISs | 100 | - |
| QMC Directorship, S.L.U. (6) | Madrid | Acquisition, holding, usufruct and disposal of shares and stakes of all kinds | - | 100 |
| Baruch Inversiones, S.L. | Madrid | Holding, usufruct and disposal of shares and stakes in non-listed companies | 46.56 | - |
| Alantra Equity and Credit Management, S.A.U. | Madrid | Financial advisory and consultancy services | 100 | - |
| Alantra Debt Solutions, S.L. | Madrid | Financial advisory and consultancy services | 75 | - |
| Alantra Infrastructure, S.L.U | Madrid | Holding, usufruct and disposal of shares and stakes in non-listed companies | 100 | - |
| Alantra Equities, Sociedad de Valores, S.A. | Madrid | Investment and associated services | 50.01 | - |
| Alantra REIM, S.L.U. | Madrid | Acquisition, holding, lease, operation and disposal of real estate | 100 | - |
| Alantra Dinamia Portfolio II, S.L. (14) | Madrid | Holding, usufruct and disposal of shares and stakes in non-listed companies | 100 | - |
| Alantra Capital Markets, Sociedad de Valores, S.A.U. (1) | Madrid | Investment and associated services | 100 | - |
| Alantra Wealth Management, Agencia de Valores, S.A. (4) | Madrid | Investment and associated services | 50.01 | - |
| Alantra Wealth Management Gestión, S.G.I.I.C., S.A. (4) | Madrid | Administration and management of CISs | 50.01 | - |

(1) Companies incorporated in 2016.
(2) Companies acquired in 2016.
(3) Alantra Capital Privado, S.G.E.I.C., S.A.U. is sole shareholder of Alantra Private Equity Servicios, S.L.U.
(4) Additional 27% acquired in 2016.
(5) Alantra International Corporate Advisory, S.L. is sole shareholder of Alantra Corporate Finance, S.A.U., Alantra Deutschland GmbH, Alantra Corporate Finance B.V., N+1 U.S. Corporation and Nmás1 Chile SPA. It also holds 85% of the capital of Alantra, s.r.l., 60% of N+1 France Corporate Finance SAS, 85% of Másuno Portugal Corporate Finance, Unipessoal LDA, 80% of Alantra Nordics AB, 87,5% of Alantra Greece Corporate Advisors, S.A., 27,24% of Nplus1 Signer Ltd, 35% of Nplus1 Daruma Finansal Danışmanlik Hizmetleri A.Ş and Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş and 25% of Alantra AG.
(6) Alantra Asset Management, S.G.I.I.C, S.A.U. is sole shareholder of QMC Directorship, S.L.U.
(7) Alantra Investment Managers, S.L.U. is sole shareholder of Alantra Capital Privado S.G.E.I.C., S.A.U., Mercapital Private Equity S.G.E.I.C., S.A.U., Nmás1 Private Equity International S.à.r.l., Alantra Private Equity Advisor, S.A.U., EQMC GP LLC and Alteralia Management, S.à.r.l.
(8) Mercapital Private Equity S.G.E.I.C., S.A.U. is sole shareholder of Paulonia Servicios de Gestión, S.L.U., Partilonia Administración, S.L.U., Mideslonia Administración, S.L.U. and Flenox, S.L.U.
(9) Alantra Corporate Finance, S.A.U., has a 70% stake in Alantra Corporate Portfolio Advisors, S.L.
(10) N+1 U.S. Corporation LLC is sole shareholder of Alantra, LLC.
(11) Alantra, LLC is sole shareholder of Downer & Company, S.A.S. and it also holds 99% of the capital of C.W. Downer & Co. India Advisors LLP.
(12) On 28 December 2016 the relocation of the Company's registered office from Jersey to Luxembourg was approved.
(13) Nmás1 Chile Spa holds 30% of the capital of Landmark Capital, S.A.
(14) Companies incorporated in 2015.
(15) Companies acquired in 2015.

Listed below are the jointly controlled and associate companies at 31 December 2016, together with the key information on those entities:

| | Registered office | Activity | % | |
|---|---|---|---|---|
| | | | Investee | Investee |
| **Holdings in jointly controlled enterprises** | | | | |
| Alpina Real Estate GP I, S.A. | Luxemburgo | Silent Partner of a limited joint-stock partnership | 50 | - |
| Alpina Real Estate GP II, S.A. | Luxemburgo | Silent Partner of a limited joint-stock partnership | 50 | - |
| Alpina Real Estate GP, S.A. | Luxemburgo | Silent Partner of a limited joint-stock partnership | 50 | - |
| Phoenix Recovery Management, S.L. (7) (8) | Madrid | Acquisition, administration and management of movable assets and securities and investment portfolios | 50 | - |
| **Holdings in associates** | | | | |
| Nplus1 Singer Ltd (2) (3) | Londres | Holding, usufruct and disposal of shares and stakes in non-listed companies | - | 25.96 |
| Nplus1 Singer Advisory LLP (3) | Londres | Financial advisory and consultancy services | - | 25.96 |
| Nplus1 Singer Capital Markets Ltd (3) | Londres | Investment and associated services | - | 25.96 |
| Alantra AG (2) | Zurich | Financial advisory and consultancy services | - | 23.83 |
| Landmark Capital, S.A. (1) (4) (5) | Santiago de Chile | Financial advisory services | - | 28.59 |
| Landmark Capital Assesoria Empresarial Ltda. (1) (5) | Sao Paulo | Financial advisory services | - | 28.59 |
| Landmark Capital Argentina SRL (1) (5) | Buenos Aires | Financial advisory services | - | 28.58 |
| Landmark Capital Colombia SAS (1) (5) | Bogotá | Financial advisory services | - | 28.59 |
| Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş. (2) | Estambul | Financial advisory and consultancy services | - | 33.36 |
| Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. (2) (6) | Estambul | Financial advisory and consultancy services | - | 33.36 |
| Nplus 1 Daruma Turizm Yatırım Finansal Dan.Hiz.A.Ş (6) | Estambul | Financial advisory and consultancy services | - | 26.68 |

(1) Companies acquired in 2016.
(2) Alantra International Corporate Advisory, S.L. is sole shareholder of Alantra Corporate Finance, S.A.U., Alantra Deutschland GmbH, Alantra Corporate Finance B.V., N+1 U.S. Corporation and Nmás1 Chile SPA. It also holds 85% of the capital of Alantra, s.r.l., 60% of N+1 France Corporate Finance SAS, 85% of Másuno Portugal Corporate Finance, Unipessoal LDA, 80% of Alantra Nordics AB, 87,5% of Alantra Greece Corporate Advisors, S.A., 27,24% of Nplus1 Signer Ltd, 35% of Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş and Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş and 25% of Alantra AG.
(3) Nplus1 Singer Ltd is sole shareholder of Nplus1 Singer Advisory LLP and Nplus1 Singer Capital Markets Ltd.
(4) Nmás1 Chile Spa holds 30% of the capital of Landmark Capital, S.A.
(5) Landmark Capital, S.A. is sole shareholder of Landmark Capital Assesoria Empresarial Ltda. and Landmark Capital Colombia SAS. It also holds 99.96% of the capital of Landmark Capital Argentina SRL.
(6) Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. has an 80% stake in Nplus 1 Daruma Turizm Yatırım Finansal Dan.Hiz.A.Ş
(7) Companies incorporated in 2015.
(8) Companies acquired in 2015.

## 2. Basis of presentation of the consolidated financial statements and other information

### *2.1 Regulatory financial reporting framework applicable to the Group*

The accompanying consolidated financial statements were authorised for issue by the Company's directors in accordance with the regulatory framework applicable to the Group, which is established in the Spanish Commercial Code and corporate law, and therefore, pursuant to the International Financial Reporting Standards as endorsed by the European Union (hereinafter, IFRS-EU).

The takeover of N+1 IBG (legal acquiree) by the Company (legal acquirer) described in Note 1 resulted in the formation of a listed group of investment service companies, which was therefore required in 2015, for the first time, to prepare the consolidated financial statements pursuant to IFRS-EU.

The Group's consolidated financial statements as at and for the year ended 31 December 2016 were prepared in accordance with IFRS, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, under which all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in conformity with the IFRS previously adopted by the European Union.

According to the options available under IAS 1.81, the same as in the previous year, the Group elected to present separately, first, a statement displaying the components of consolidated profit or loss ("Consolidated income

statement") and, secondly, a statement that begins with profit or loss for the period and displays the components of other comprehensive income for the period, which in these consolidated interim financial statements is termed the "Consolidated statement of recognised income and expense". The formats followed to present the balance sheet, income statement, statement of recognised income and expense, statement of cash flows, and statement of total changes in equity, included in the accompanying consolidated financial statements, were basically drawn up in accordance with the model issued in Circular 1/2008 of 30 January, on the periodical reporting of issuers whose securities are admitted to trading on regulated market in terms of half-yearly financial reports, interim management statements and, if applicable, quarterly financial reports.

### *2.2 Fair presentation*

The consolidated financial statements were prepared by the Company's directors at the Board meeting on 23 March 2017 in accordance with the financial reporting framework applicable to the Group and, in particular, the accounting principles contained therein, to present fairly the Group's consolidated equity and consolidated financial position at 31 December 2016, and the consolidated results of its operations, consolidated recognised income and expenses and cash flows in the year then ended. The 2016 consolidated financial statements were prepared from the Company's accounting records and the individual records of the companies that comprise the Group. Since the accounting policies and measurement bases used in preparing the Alantra Group's 2016 consolidated financial statements may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with the IFRS adopted by the European Union.

These consolidated financial statements will be submitted for approval by shareholders at the General Meeting. It is expected that they will be approved without any changes. The pre-merger 2015 financial were approved by shareholders the general meeting held on 27 April 2016 and filed with the Madrid Companies Register.

Given the magnitude of the figures in the accompanying consolidated financial statements, the Company's directors prepared them including figures in thousands of euros.

The main accounting principles and measurement bases adopted by the Group are detailed in Notes 2.14 and 3.

### *2.3 Non-obligatory accounting principles applied*

No non-obligatory accounting principles were applied. The directors also authorised for issue these consolidated financial statements by taking into account all the obligatory accounting principles and standards with a significant effect thereon. All obligatory accounting principles were applied.

### *2.4 Main regulatory changes taking place between 1 January and 31 December 2016*

*Principal standards, amendments to existing standards and interpretations adopted by the European Union, which came into effect in 2016:*

The following changes to IFRSs and to their interpretations took effect in 2016, without material impact on the consolidated financial statements of the Alantra Group.

- Amendment to IAS 16 and IAS 38 "Acceptable methods of depreciation and amortisation". The amendment clarifies that, as a general rule, revenue-based amortisation methods are not allowed, as they do not reflect the expected consumption pattern for the future economic benefits of an asset.

- Amendment to IFRS 11 "Acquisitions of interests in joint operations". The amendment requires that the

IFRS 3 method be applied when the joint operation is a business. This had not been specifically addressed until now.

- Amendment to IAS 16 and IAS 41 "Bearer plants". Bearer plants will henceforth be carried at cost, instead of at fair value.

- Annual improvements to IFRSs for 2012-2014. Minor amendments to IFRS 5 – Non-current assets held for sale and discontinued operations, IFRS 7 – Financial instruments: Disclosures, IAS 19 – Employee benefits and IAS 34 – Interim financial reporting.

- Amendment to IAS 27 "Equity method in separate financial statements". This will allow the equity method to be used in the separate financial statements of an investor.

- Amendment to IAS 1 "Presentation of financial statements". The amendments to IAS 1 seek to have entities make further use of judgment when determining what information to disclose in their financial statements, when determining which items to disaggregate and what additional headings and subtotals should be included in the statement of financial position and in the statement of profit or loss and other comprehensive income, and when determining where and in what order the disclosures should be presented.

- Amendment to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 "Investments in associates and joint ventures". The amendments introduce clarifications to the accounting requirements for investment entities in three aspects:

    - They confirm that a parent entity that is a subsidiary of an investment entity may apply the exemption from presenting consolidated financial statements.

    - They clarify that if an investment entity has a subsidiary that is not an investment entity and whose principal purpose is to support the investment activities of its parent, by providing services or performing activities relating to the investment activity of the parent or third parties, the investment entity must consolidate the subsidiary; however, if that subsidiary is an investment entity, the parent must account for the subsidiary at fair value through profit or loss.

    - They require that an investor entity that is not an investment entity to maintain, when applying the equity method, the fair value measurement applied by an associate joint venture that is an investment entity to its interests in subsidiaries.

*Principal standards, amendments to existing standards and interpretations of standards not yet in effect at 31 December 2016:*

At the date of preparation of the accompanying consolidated financial statements, amendments had been approved of new International Financial Reporting Standards and interpretations thereof that were not yet of mandatory application at 31 December 2016. Although application of those standards, amendments or interpretations is allowed in some cases, the Group has not yet introduced them as the effects they could generate are still being analysed.

- IFRS 9 "Financial instruments": on 24 July 2014, the IASB issued IFRS 9 which will replace IAS 39 in the future and includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

*Classification and measurement of financial assets and liabilities*

The classification of financial assets will depend on the entity's business model for management of those assets and on the characteristics of the contractual cash flows, and will result in the financial assets being measured at amortised cost, at fair value through equity or at fair value through profit or loss. The combined effect of the business model test and contractual cash flow characteristics test could give rise to differences in the population of financial assets measured at amortised cost or at fair value in comparison with IAS 39.

The categories for classifying financial liabilities proposed by IFRS 9 are similar to the ones already existing in IAS 39, so any differences should not be very significant except, perhaps, for the requirement to record changes in the fair value associated with the related credit risk as a component of equity, in the case of financial liabilities measured at fair value.

*Impairment of financial assets*

The impairment requirements will apply for financial assets measured at amortised cost and at fair value through equity, and for leases and certain loan commitments and collateral contracts.

At initial recognition, a provision is required for the expected losses from the impairment events that may possibly occur in the next 12 months ("expected loss at 12 months").

In the event of significant increase in credit risk, a provision is required for all possible impairment events expected over the life of the financial instrument ("expected loss over the entire life of the operation").

The assessment as to whether the credit risk has increased significantly since initial recognition must be done, for each reporting period, considering the risk of default over the remaining life of the financial instrument. The measurement of credit risk and estimation of expected losses must be performed so as to provide an unbiased and probability-weighted estimate, and should draw on all available information of relevance for the measurement, including information on past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

The end goal is for recognition and measurement of impairment to be done more prospectively than under the current IAS 39 loss model.

*Hedge accounting*

Hedge accounting will also undergo changes, as the new standard takes a different approach than the current IAS 39, by trying to align the accounting treatment with the economic management of the risk. IFRS 9 will also allow hedge accounting for a greater variety of risks and hedging instruments. The standard does not address accounting for so-called macro hedge strategies. In order to avoid conflict between current macro hedge accounting and the new general hedge accounting scheme, IFRS 9 includes an accounting policy option of continuing to apply the IAS 39 hedge accounting approach.

The IASB has set 1 January 2018 as date of mandatory application of IFRS 9, while allowing earlier implementation.

During 2016 and 2015 the Group has been analysing the new IFRS 9 criteria on recognition, measurement and impairment of financial assets and their implications for 2018. The ones on hedge accounting will not apply as the Group does not have accounting hedges. In particular, analysis is being conducted with respect to loans to third parties with variable remuneration (see Note 9.3) and to current equity holdings (basically, investment funds and close-ended venture capital firms – see Note 9.1) to determine if there are cases where measurement at fair value through profit or loss should be applied, and in the case of assets that qualify as equity instruments, to determine if the fair value through equity option (irrevocable) should be taken. The requirements regarding impairment of financial assets are not expected to have a material impact on the Group's consolidated financial statements.

At the date of preparation of these annual financial statements, there is no estimate of the quantitative impact these changes could possibly have in 2018. The Group expects to have an estimate of that impact in 2017 in order to present the definitive figures as at the date of application of the standard and the associated comparison with the previous year.

- IFRS 7 "Financial Instruments: Disclosures". The IASB amended IFRS 7 in December 2011 to introduce new disclosures regarding financial instruments that entities must present in the year in which IFRS 9 first applies.

- IFRS 15 "Revenue from contracts with customers". IFRS 15 specifies the principles entities must apply to account for revenue and cash flows from contracts for sales of goods or services to their customers.

  According to this new standard, entities will recognise revenue from a contract with customers when they have satisfied their performance obligations by transferring goods or services to their customers, in accordance with the terms of the contract. A good or service is considered to have been transferred or performed when its control passes to the customer. The amount to be recognised will reflect the payment which the entity expects to be entitled for the goods or services transferred.

  IFRS 15 replaces IAS 18 – "Revenue", IAS 11 – "Construction contracts", a la IFRIC 13 – "Customer loyalty programmes", IFRIC 15 – "Agreements for the construction of real estate", IFRIC 18 – "Transfers of assets from customers" and SIC 31 – "Revenue-Barter transactions involving advertising services".

  This standard will apply to periods beginning on or after 1 January 2018, although it may be applied earlier.

- IFRS 15 "Clarifications to IFRS 15 Revenue from contracts with customers". The amendments made to IFRS 15 clarify how some of the principles of the new standard should be applied. They specifically clarify:

  - How to identify a performance obligation (promise to transfer a good or service to a customer) in a contract;
  - How to determine if an entity is acting as principal (provider of a good or service) or agent (representative of the organisation for which the good or service is transferred); and
  - How to determine if revenue from grant of a licence should be recognised at a point in time or over a period of time.

  Two other amendments are also included to reduce the cost and complexity of first-time application of the new standard. The amendments will apply at the same time as IFRS 15, that is, for the periods beginning on or after 1 January 2018, although they may be applied earlier.

- IAS 12 "Income taxes. Recognition of deferred tax assets for unrealised losses"

  The amendments to IAS 12 clarify the requirements for recognition of deferred tax assets for unrealised losses in debt instruments measured at fair value. The aspects clarified are as follows:

  - An unrealised loss in a debt instrument measured at fair value will give rise to a deductible temporary difference, independently of whether the holder expects to recover the carrying amount by selling the debt instrument or holding it until maturity.
  - The entity will assess the utilisation of a deductible temporary difference in combination with other deductible temporary differences. If tax law restricts the utilisation of tax losses, the entity must assess their utilisation in relation to other temporary differences of the appropriate type.
  - The estimate of future tax profits may include profits from recovery of assets for more than their carrying amount, provided there is sufficient evidence that it is probable that the entity will recover the asset for said higher amount.
  - The estimate of future tax profits may exclude tax deductions from the reversal of deductible temporary differences.

  The amendments will apply to years beginning on or after 1 January 2017, although they may be applied earlier.

- IFRS 16 "Leases". On 13 January 2016, the IASB issued IFRS 16, which replaces IAS 17. The new standard provides a single lessee accounting model, requiring the lessee to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The lessee must recognise a right-of-use asset that represents its right to utilise the leased asset, and a lease liability that represents its obligation to make the lease payments.

  As regards accounting by lessors, IFRS 16 substantially maintains the accounting requirements of IAS 17. Consequently, the lessor will continue classifying each lease as an operating lease or a finance lease, with a different accounting treatment for each.

  This standard will apply to years beginning on or after 1 January 2019, although it may be applied earlier if IFRS 15 is applied as well.

- Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture". These amendments provide clarification regarding the gain or loss from such transactions, in view of an inconsistency currently existing between the two standards. If the transaction subject matter constitutes a business, there will be full gain or loss recognition; if the subject matter of the transaction consists of assets, full recognition will not apply. The effective date is yet to be determined.

- IAS 7 "Statement of Cash Flows. Disclosure Initiative". The amendments to IAS 7 introduce the following new disclosures regarding changes in liabilities arising from financing activities, to the necessary extent so that users of financial statements can evaluate the changes in those liabilities: changes from financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates; changes in fair values; and other changes.

  Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. In addition, the disclosure requirements also apply to changes in financial assets if the cash flows from the financial assets were, or if the future cash flows will be, included in cash flows from financing activities.

The amendments will apply to years beginning on or after 1 January 2017, although they may be applied earlier.

- IFRS 2 "Classification and measurement of share based payment transactions". The amendments to IFRS 2 specify the requirements to be applied in three aspects:

  - In measuring the fair value of a cash-settled share-based payment, non-market vesting conditions will only be taken into account to adjust the number of shares to be included in the transaction amount.
  - When, in a transaction that would be classified as an equity-settled share-based payment, an entity retains a number of equity instruments equal to the monetary value of the legal tax withholding obligation, the transaction as a whole will be classified as an equity-settled share-based payment.
  - When a cash-settled share-based payment is classified as an equity-settled share-based payment, the modification will be accounted for by derecognising the original liability and recognising in equity the fair value of the equity instruments awarded as consideration for goods or services at the date of the modification; the differences will be immediately recognised in the income statement.

  The amendments will apply to years beginning on or after 1 January 2018, although they may be applied earlier.

- IFRS 4 "Insurance contracts". The amendments to IFRS 4 address the accounting implications arising from applying IFRS 9 before the future standard on insurance contracts, introducing two solutions of optional application:

  - The deferral or temporary exemption approach allows entities whose activities are predominantly connected with insurance to defer the application of IFRS 9 and continue applying IAS 39 until 2021.
  - The overlay approach allows any entity that writes insurance contracts to recognise in equity, rather than in profit or loss, any additional accounting volatility that may arise from applying IFRS 9 in comparison to IAS 39 prior to the application of the future standard on insurance contracts.

  These amendments will apply to years beginning on or after 1 January 2018, although they may be applied earlier.

- Annual improvements process for IFRS 2014-2016: The 2014-2016 IFRS annual improvements process introduces minor amendments and clarifications to IFRS 1 – First-time adoption of International Financial Reporting Standards, IFRS 12 – Disclosures of interests in other entities, and IAS 28 – Investments in associates and joint ventures.

  The amendments to IFRS 1 and IAS 28 will apply to periods beginning on or after 1 January 2018, although early application is allowed for the amendments to IAS 28. The amendments to IFRS 12 will apply to periods beginning on or after 1 January 2017.

- IFRIC 22 - Foreign currency transactions and advance consideration. This interpretation refers to how to determine the transaction date and hence the exchange rate to be used to convert an asset, expense or income on initial recognition, in circumstances where a non-monetary prepayment asset or non-monetary deferred income liability arising from payment or receipt of advance consideration, and provides that the transaction date will be the date on which the entity initially recognises the non-monetary asset or the non-monetary liability.

If there are several payments or receipts of advance consideration, the entity will determine a transaction date for each payment or receipt of advance consideration.

The interpretation will apply to years beginning on or after 1 January 2018, although they it be applied earlier.

- Amendment to IAS 40 "Reclassification of investment property": the amendments specify that an entity will transfer a property to, or from, investment properties only when there is evidence of a change in use of the property. A change of use occurs if the property meets, or ceases to meet, the definition of investment property.

  The amendments will apply to years beginning on or after 1 January 2018, although they may be applied earlier.

### *2.5 Critical issues regarding valuation and estimation of uncertainty*

The consolidated results and determination of consolidated equity are a product of the accounting policies and principles, measurement bases and estimates used by the Company's directors in the preparation of the consolidated financial statements. The main accounting policies and principles and measurement bases used are disclosed in Notes 2.14 and 3.

In preparing the accompanying consolidated financial statements estimates were occasionally made by the Company's directors in order to measure certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of possible impairment losses on certain assets (see Notes 2.14, 3 e), 3 g), 3 h), 6, 7, 8, 9, 10, 11 and 12);

- The useful life of property, plant and equipment and of intangible assets (see Notes 3 g), 3 h), 6 and 7);

- The measurement of goodwill impairment and purchase price allocation in business combinations (see Notes 2.14 and 6);

- The fair value of certain financial assets and liabilities (see Notes 3 b), 9 and 17);

- The recoverability of deferred tax assets (see Notes 3 p) and 19); and

- The calculation of any provisions (see Note 3 v)).

Although these estimates were made on the basis of the best information available at year-end 2016, possible future events may require these estimates to be modified (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statement for the affected years.

### *2.6 Grouping of items*

Certain items in the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated statement of changes in equity and the consolidated statement of cash flows were aggregated to make them easier to understand; however, whenever the amounts

involved are material, the information is broken down in the related notes to the consolidated financial statements.

### *2.7 Comparison of information*

As required by corporate law, the information relating to 2015 contained in these notes to the consolidated financial statements is presented for comparison purposes only with the information relating to 2016.

### *2.8 Environmental impact*

Environmental assets are deemed to be assets used on a lasting basis in the Group's operations, whose main purpose is to minimise environmental impact and to protect and restore the environment, including the reduction or elimination of pollution in the future.

In view of the activities in which Group companies are engaged, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a material effect on its consolidated equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

### *2.9 Minimum own fund requirements*

Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms regulate access to the activity of, supervision of and prudential requirements of credit institutions and investment firms and the minimum own funds such entities must have, how these own funds are calculated, and the internal capital adequacy assessment processes (ICAAP) that entities must complete. In relation to this, CNMV Circular 2/2014 of 23 June, came into force on 29 June 2014. This circular set forth the rules on the exercise of various regulatory options on solvency for investment service firms and their consolidable groups. Meanwhile, the existing standard on own funds – CNMV Circular 12/2008 of 30 December, on the solvency of investment service firms and their consolidable groups – was repealed (see Note 20).

The minimum own fund requirements set forth in the new Circular are calculated according to the Group's exposure to market, credit, liquidity, operational and other risks deriving from its activity.

At 31 December 2016, the Group's own funds exceeded the minimum requirements stipulated in the rules in force at the aforesaid dates.

### *2.10 Investment Guarantee Fund and Fund for Orderly Bank Restructuring*

Alantra Equities, Sociedad de Valores, S.A., Alantra Asset Management, S.G.I.I.C., S.A.U., Alantra Capital Markets, S.V., S.A.U., Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. are the Group companies party to the Investment Guarantee Fund (*Fondo de Garantía de Inversiones*). Expenses incurred by the Group for contributions to the Investment Guarantee Fund in 2016 and 2015 totalled €80 thousand and €50 thousand, respectively, which are recognised under "Other operating expenses" in the consolidated income statement (2016 does not include those for Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A., as they accrued and were paid for an aggregate amount of €80 thousand before the Group acquired control).

At 31 December 2016, the Group held 26 shares in Sociedad Gestora del Fondo de Garantía de Inversiones with a par value of €200 (9 shares with a par value of €200 at 31 December 2015) (see Note 9).

"Other operating expenses" in the 2016 consolidated income statement also includes €1 thousand for the contribution by Alantra Equities, Sociedad de Valores, S.A. in said year to the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*) (one thousand euros recognised in 2015).

### *2.11 Error correction*

No significant errors in the preparation of the accompanying consolidated financial statements were detected that required the figures disclosed in the 2015 consolidated financial statements to be restated.

### *2.12 Customer service department*

Pursuant to Ministry of Economy Order ECO/734/2004 of 11 March, on customer care departments and services and customer ombudsmen of financial institutions that develops Act 35/2002 of November 22, on measures to reform the financial system, the Group's subsidiaries Alantra Equities, Sociedad de Valores, S.A., Alantra Asset Management, S.G.I.I.C., S.A.U., Alantra Capital Markets, S.V., S.A.U., Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. established their own customer service departments and regulations that fully and systematically govern the operations of these departments. These developments ensure customers can easily access the complaints system, and that any complaints or claims submitted by them are quickly resolved.

These customer service departments will submit reports on their activities in 2016 to the companies' respective boards of directors on 31 March 2017. The reports state that no complaints or claims were filed by any customers in 2016. No decisions, recommendations or suggestions therefore had to be made in this regard.

### *2.13 Revenue and expense seasonality*

The most significant operations carried out by the Alantra Group fundamentally involve advising, asset management and investment activities. Accordingly, they are not materially affected by seasonal factors within the same year.

### *2.14 Basis of consolidation*

#### *2.14.1. Subsidiaries*

Subsidiaries are defined as entities over which the Group has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Company owns directly or indirectly 50% or more of the voting rights of the investee or, even if this percentage is lower or zero, when, for example, there are other circumstances or agreements that give the Company control. A company has control over another investee when it is exposed, or has rights to variable returns from its involvement with the investee, and when it has the ability to use its power to affect its returns, even if the aforesaid percentage stake is not held.

The financial statements of the Group's subsidiaries are fully consolidated as per prevailing accounting standards. The following criteria, *inter alia*, were therefore adopted during consolidation:

1. All material balances and results of transactions carried out between consolidated companies, along with the material results of internal transactions that did not involve third parties were eliminated on consolidation.

2. Minority shareholders' shares in the equity and results of consolidated subsidiaries are shown under "Non-controlling interests" in the consolidated balance sheet and under "Profit (loss) attributable to non-controlling interests" in the consolidated income statement, respectively.

3. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are recognised at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. Any negative differences are taken to income on the acquisition date (see Notes 1, 3 h) and 3 w)).

4. When control is obtained of an associated entity, the prior investment is measured at fair value at the date of acquisition of control, and any gain or loss resulting with respect to its carrying amount is recognised under "Impairment losses and gains (losses) on disposal of financial instruments" in the consolidated income statement (see Note 27).

5. Any changes in the equity of consolidated subsidiaries as from the date of acquisition that are not due to changes in the percentages of capital held or percentage share of results, or to changes in their valuation adjustments are recognised under "Reserves" in the consolidated balance sheet.

*Loss of control over a subsidiary*

When control over a subsidiary is lost, for consolidation purposes only, the profit or loss recognised in the separate financial statements of the company reducing its equity interest must be adjusted as per the following criteria:

a) The amount relating to the reserves in consolidated companies generated since acquisition is taken to reserves in the company, reducing its equity interest.

b) The amount relating to income and expenses generated by the subsidiary during the year until the date control is lost is presented based on its substance.

c) The amounts relating to income and expenses recognised directly in the subsidiary's equity since the acquisition date that have not been taken to consolidated profit or loss are reclassified based on their substance. Associated translation differences are recognised under "Exchange differences" in the consolidated income statement.

d) Any profit or loss existing after such adjustments have been made is recognised in the consolidated income statement.

If control is lost without divestment of the equity interest in the subsidiary, the result of the transaction is also presented in the consolidated income statement.

On the other hand, if the subsidiary in question becomes a jointly-controlled entity or associate, it is consolidated using the equity method on initial recognition at the fair value of the shareholding retained at said date. The balancing entry of the adjustment needed to measure the new equity interest at fair value is recognised as per the criteria described in the previous points.

Lastly, and for consolidation purposes only, an adjustment must be recognised in the consolidated income statement to recognise minority shareholders' share of income and expenses generated by the subsidiary during the year until the date control is lost, and in the income and expenses recognised directly in equity transferred to profit and loss.

*2.14.2. Jointly-controlled entities*

A jointly-controlled entity is an entity which, not being a subsidiary, is jointly controlled by the Group and one or more companies not related to the Group. This heading includes joint ventures. Joint ventures are contractual arrangements whereby two or more entities ("venturers") undertake an economic activity or hold assets so that any strategic financial or operating decisions affecting them requires the unanimous consent of all venturers, and those operations and assets are not part of any financial structure other than those of the venturers. Jointly-controlled entities are measured using the equity method, as defined in prevailing accounting standards and below.

*2.14.3. Associates*

Associates are defined as companies over which the Company is in a position to exercise significant influence, but not control or joint control. This influence is usually evidenced by a direct or indirect holding of 20% or more of the investee's voting rights, unless it can be clearly demonstrated that such influence does not exist. Associates are measured using the equity method, as defined in prevailing accounting standards.

On acquisition, associates are recognised at fair value under "Investments accounted for using the equity method" in the consolidated balance sheet. Fair value is equal to the share of the investee's equity held, excluding any treasury shares. Goodwill generated due to any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as part of the value of the equity interest held under "Investments accounted for using the equity method" and not separately under "Intangible assets – Goodwill".

Associates were consolidated using the equity method. Investments in associates were therefore measured for an amount equivalent to the Group's share of the associates' capital, after taking into account the dividends received and other equity eliminations. The profit or loss of associates is recognised for an amount equal to the percentage of equity held under "Share of profit (loss) of companies accounted for using the equity method" in the consolidated income statement. If, as a result of losses incurred by an associate, its equity were negative, the investment would be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

Pursuant to prevailing accounting rules, when there is evidence of impairment of investments in associates, the amount of the impairment is estimated as the negative difference between the recoverable amount (calculated as the higher of fair value of the investment less costs to sell and value in use; value in use is defined as the present value of the cash flows expected to be received on the investment in the form of dividends and those from its sale or other disposal) and the carrying amount. Unless there is better evidence of the recoverable amount of the investment, the estimate of impairment of this asset class is based on the equity of the investee (consolidated where applicable) adjusted for unrealised gains at the date of measurement. Losses due to impairment of these investments are recognised under "Impairment losses and gains (losses) on disposal of financial instruments" in the consolidated income statement. The reversal of any impairment loss is limited to the carrying amount of the investment that would have been recognised at the reversal date had no impairment loss been recognised.

In accordance with IAS 28, any investments in associates held indirectly through private equity firms, investment funds, unit trusts or similar entities are not accounted for using the equity method. Since Alantra Dinamia Portfolio II, S.L. is considered to be an "investment firm" for the purposes defined in IFRS 10, this entity is classified in this group and therefore the investees over which the Group has significant influence through the subsidiary Alantra Dinamia Portfolio II, S.L. are excluded from the requirement to be accounted for using the equity method. These investees are measured at fair value through profit and loss (see Note 9) and recognised under "Non-current financial assets" in the consolidated balance sheet.

*2.14.4 CISs and private equity firms*

Where the Group incorporates entities or holds stakes in them in order to provide its customers with access to certain investments, consideration is given pursuant to internal criteria and procedures and considering IFRS 10 as to whether the Group controls them and therefore, whether or not they should be consolidated. These methods and procedures take into consideration, *inter alia*, the risks and rewards retained by the Group, including all material items such as guarantees given or losses associated with the collection of receivables retained by the Group. These entities include CISs and private equity firms managed by the Group, which are not consolidated as the stipulations on the Group's control over them are not met. Specifically, the Group acts as an agent not a principal because it does so in the name of and to the benefit of investors or parties concerned (the principal or principals) and therefore, does not control said undertakings or vehicles when it exercises its decision-making powers.

In the case of both subsidiaries and jointly-controlled entities and associates, the results of companies acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

In the case of Group companies whose accounting and measurement methods differ from those of the parent, adjustments based on the Group's criteria were made upon consolidation in order to present the consolidated financial statements on a like-for-like basis.

Details of consolidated companies and the most relevant information thereon at 31 December 2016 and 2015, including the most relevant disclosures on acquisitions and disposals in said periods are provided below:

Investments in Group companies at 31 December 2016:

| | % shareholding | | Thousands of Euros<br>Figures for each Company as at 31 December 2016 (1) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Profit (loss) (17) | |
| | Direct | Indirect | Share capital | Reserves and share premium | Valuation adjustments | Interim dividends | Total assets | Total liabilities | Operating | Net |
| Alantra Equity and Credit Management, S.A.U. (2) | 100% | - | 60 | 37 | - | - | 941 | 466 | 504 | 378 |
| Alantra Investment Managers, S.L.U. (2) (13) | 100% | - | 343 | 751 | - | - | 3,676 | - | 2,579 | 2,582 |
| Alantra Capital Privado, S.G.E.I.C., S.A.U. (3) (13) (14) | - | 100% | 311 | 438 | - | - | 7,434 | 5,133 | 2,236 | 1,552 |
| Alantra Capital Privado Servicios, S.L.U. (2) (14) | - | 100% | 3 | 302 | - | - | 241 | - | (85) | (64) |
| Nmás1 Private Equity International Limited S.à.r.l. (2) (13) | - | 100% | 41 | (4) | - | - | 99 | 62 | - | - |
| Alantra Private Equity Advisor, S.A.U.(2) (13) | - | 100% | 60 | (86) | - | - | 53 | 31 | (63) | 48 |
| Mercapital Private Equity S.G.E.I.C., S.A.U. (3) (12) (13) | - | 100% | 301 | 252 | - | - | 2,706 | 953 | 1,607 | 1,200 |
| Paulonia Servicios de Gestión, S.L.U. (2) (12) | - | 100% | 5 | (2) | - | - | 5 | 3 | (1) | (1) |
| Partilonia Administración, S.L.U. (2) (12) | - | 100% | 3 | - | - | - | 3 | - | - | - |
| Mideslonia Administración, S.L.U. (2) (12) | - | 100% | 5 | (2) | - | - | 5 | 2 | - | - |
| Flenox, S.L.U. (2) (12) | - | 100% | 6 | (3) | - | - | 5 | 2 | - | - |
| EQMC GP LLC (2) (9) (13) | - | 100% | - | - | (1) | - | - | 32 | (31) | (31) |
| Alteralia Management, S.à.r.l. (2) (10) (13) | - | 100% | 12 | (33) | - | - | 101 | 128 | (5) | (6) |
| Alantra Infraestructure, S.L.U. (2) | 100% | - | 6 | 1,151 | - | - | 640 | 101 | (785) | (618) |
| Alantra International Corporate Advisory, S.L. (3) (6) | 95.30% | - | 118 | 33,188 | - | - | 43,938 | 8,728 | 2,137 | 1,904 |
| Alantra Corporate Finance, S.A.U. (3) (6) (15) | - | 95.30% | 61 | 62 | (3) | - | 15,730 | 8,645 | 8,604 | 6,965 |
| Alantra Corporate Portfolio Advisors, S.L. (3) (15) | - | 66.71% | 10 | 107 | - | (1,660) | 7,410 | 5,978 | 3,967 | 2,975 |
| Alantra Deutschland GmbH (3) (6) | - | 95.30% | 25 | 1,738 | - | (1,250) | 9,221 | 6,707 | 2,920 | 2,001 |
| Alantra s.r.l. (2) (6) | - | 81.01% | 100 | 19 | - | - | 4,306 | 3,283 | 1,512 | 904 |
| N+1 France Corporate Finance SAS (3) (6) (10) | - | 57.18% | 936 | 134 | - | - | 2,653 | 1,650 | (9) | (67) |
| Alantra Corporate Finance, B.V. (2) (6) (9) | - | 95.30% | 15 | (19) | - | - | 1,283 | 1,455 | (168) | (168) |
| Másuno Portugal Corporate Finance, Unipessoal LDA (2) (6) (7) (8) | - | 76.24% | 33 | 567 | - | - | 447 | 35 | (188) | (188) |
| Alantra Nordics AB (2) (6) (7) (8) | - | 76.02% | 26 | 724 | (6) | - | 562 | 58 | (240) | (240) |
| Alantra Greece Corporate Advisors, S.A. (2) (6) (7) | - | 83.39% | 50 | - | - | - | 422 | 594 | (215) | (222) |
| Nmás1 Chile SPA (2) (6) (7) (16) | - | 95.30% | 1,162 | - | - | - | 4,646 | 3,627 | (37) | (25) |
| N+1 U.S. Corporation LLC (2) (6) (9) | - | 95.30% | 14,768 | - | - | - | 30,068 | 13,648 | (1,133) | (791) |
| Alantra, LLC (4) (8) | - | 95.30% | (784) | 3,427 | - | (1,187) | 4,237 | 1,912 | 1,206 | 1,191 |
| Alantra Equities, Sociedad de Valores, S.A. (3) | 50.01% | - | 2,000 | 796 | - | (1,800) | 6,537 | 3,710 | 2,441 | 1,831 |
| Alantra Asset Management, S.G.I.I.C., S.A.U. (3) (5) | 100% | - | 300 | 500 | - | - | 8,984 | 6,405 | 2,341 | 1,779 |
| QMC Directorship, S.L.U. (2) (5) | - | 100% | 3 | 1 | | | 127 | 121 | 2 | 2 |
| Baruch Inversiones, S.L.(2) | 46.56% | - | 276 | 102 | 1,441 | - | 2,579 | 759 | 1 | 1 |
| Alantra Debt Solutions, S.L. (2) | 75% | - | 4 | (261) | - | - | 1,143 | 1,110 | 387 | 290 |
| Alantra REIM, S.L.U. (2) | 100% | - | 10 | (970) | - | - | 785 | 1,377 | 429 | 368 |
| Alantra Dinamia Portfolio II, S.L. (2) (9) | 100% | - | 100 | 7,439 | 3,445 | - | 23,449 | 1,015 | (1,541) | 11,449 |
| Alantra Wealth Management Gestión, S.G.I.I.C., S.A. (3) (11) | 50.01% | - | 544 | 403 | - | - | 2,743 | 2,085 | (289) | (289) |
| Alantra Wealth Management, A.V., S.A. (3) (11) | 50.01% | - | 380 | 1,226 | - | - | 4,506 | 2,579 | 321 | 321 |
| Alantra Capital Martkets, S.V., S.A.U. (3) (7) | 100% | - | 730 | 1,270 | - | - | 2,742 | 626 | 155 | 116 |

(1) Figures from separate annual financial statements except for Alantra, LLC.
(2) Companies whose annual financial statements are not audited, although they are submitted to a limited review for the purposes of an audit of the consolidated financial statements.
(3) Companies whose annual financial statements are subject to statutory audit by Deloitte.
(4) Company whose annual financial statements are subject to an audit of consolidated financial statements.
(5) Alantra Asset Management, S.G.I.I.C., S.A.U. is sole shareholder of QMC Directorships, S.L.U.
(6) Alantra International Corporate Advisory, S.L. is sole shareholder of Alantra Corporate Finance, S.A.U., Alantra Deutschland GmbH, Alantra Corporate Finance B.V., N+1 U.S. Corporation and Nmás1 Chile SPA. It also holds 85% of the capital of Alantra, s.r.l., 60% of N+1 France Corporate Finance SAS, 85% of Másuno Portugal Corporate Finance, Unipessoal LDA, 80% of Alantra Nordics AB, 87,5% of Alantra Greece Corporate Advisors, S.A., 27,24% of Nplus1 Signer Ltd, 35% of Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş and Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş and 25% of Alantra AG.
(7) Companies incorporated in 2016.
(8) Companies acquired in 2016.
(9) Companies incorporated in 2015.
(10) Companies acquired in 2015.
(11) Adquisición del 27% adicional en el ejercicio 2016.
(12) Mercapital Private Equity S.G.E.I.C., S.A.U. is sole shareholder of Paulonia Servicios de Gestión, S.L.U., Partilonia Administración, S.L.U., Mideslonia Administración, S.L.U. and Flenox, S.L.U.
(13) Alantra Investment Managers, S.L.U. is sole shareholder of Alantra Capital Privado S.G.E.I.C., S.A.U., Mercapital Private Equity S.G.E.I.C., S.A.U., Nmás1 Private Equity International S.à.r.l., Alantra Private Equity Advisor, S.A.U., EQMC GP LLC and Alteralia Management, S.à.r.l.
(14) Alantra Capital Privado, S.G.E.I.C., S.A.U. is sole shareholder of Alantra Private Equity Servicios, S.L.U.
(15) Alantra Corporate Finance, S.A.U., has a 70% stake in Alantra Corporate Portfolio Advisors, S.L.
(16) Nmás1 Chile Spa holds 30% of the capital of Landmark Capital, S.A.
(17) The profit or loss of each entity for the whole of 2016 is included, irrespective of the date on which it was included in the Group.

Investments in Group companies at 31 December 2015:

| | % shareholding | | Thousands of euros<br>Figures for each company at 31 December 2015 (1) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Profit (loss) (16) | |
| | Direct | Indirect | Share capital | Reserves and share premium | Valuation adjustments | Interim dividends | Total assets | Total liabilities | Operating | Net |
| Nmás1 Equity and Credit Management, S.A.U. (2) | 100% | - | 60 | 29 | - | - | 255 | 159 | 9 | 7 |
| Nmás1 Investment Managers, S.L.U. (formerly Nmás1 Mercapital, S.L.U.) (2) (13) | 100% | - | 343 | 751 | - | (2,100) | 1,461 | 150 | 2,429 | 2,317 |
| Nmás1 Capital Privado, S.G.E.I.C., S.A.U. (3) (13) (14) | - | 100% | 311 | 435 | - | (281) | 4,736 | 2,829 | 2,029 | 1,442 |
| Nmás1 Capital Privado Servicios, S.L.U. (2) (14) | - | 100% | 3 | 401 | - | - | 474 | 168 | (137) | (98) |
| Nmás1 Private Equity International Limited (3) (13) | - | 100% | 41 | (4) | - | - | 99 | 62 | 3 | - |
| N Más Uno Advisor, S.A.U.(2) (13) | - | 100% | 60 | 12 | - | - | 67 | 93 | (135) | (98) |
| Mercapital Private Equity S.G.E.I.C., S.A.U. (3) (12) (13) | - | 100% | 301 | 242 | - | - | 3,152 | 1,167 | 1,989 | 1,442 |
| Paulonia Servicios de Gestión, S.L.U. (2) (12) | - | 100% | 3 | (2) | - | - | 28 | 27 | - | - |
| Partilonia Administración, S.L.U. (2) (12) | - | 100% | 3 | - | - | - | 27 | 24 | - | - |
| Mideslonia Administración, S.L.U. (2) (12) | - | 100% | 3 | (2) | - | - | 28 | 27 | - | - |
| Flenox, S.L.U. (2) (12) | - | 100% | 3 | (2) | - | - | 3 | 3 | (1) | (1) |
| EQMC GP LLC (2) (7) (13) | - | 100% | - | - | - | - | - | - | - | - |
| Alteralia Management, S.à.r.l. (2) (8) (13) | - | 100% | 13 | (33) | - | - | 598 | 619 | 1 | (1) |
| Nmás1 Infraestructure, S.L.U. (formerly Nmás1 Energía, S.L.U.) (2) | 100% | - | 6 | 338 | - | - | 2,824 | 367 | 1,996 | 2,113 |
| Nplus1 Credit Solutions, LLP (2) | 100% | - | 143 | - | - | - | - | - | - | - |
| Nmás1 International Corporate Advisory, S.L. (2) (6) | 94.33% | - | 98 | 18,481 | - | (8,000) | 30,457 | 11,777 | 14,090 | 8,101 |
| Nmás1 Corporate Finance, S.A.U. (3) (6) (15) | - | 94.33% | 61 | 63 | - | (6,100) | 13,841 | 13,362 | 8,211 | 6,455 |
| Nmás1 Corporate Portfolio Advisors, S.L. (2) (9) (10) (15) | - | 66.03% | 10 | 105 | - | (1,200) | 5,671 | 3,875 | 4,002 | 2,881 |
| N+1 Deutschland GmbH (3) (6) | - | 56.60% | 25 | 1,688 | - | - | 3,796 | 1,586 | 739 | 497 |
| N+1 s.r.l. (formerly N+1 Syz s.r.l.) (3) (6) | - | 80.18% | 100 | 418 | - | - | 2,068 | 1,295 | 461 | 255 |
| N+1 France Corporate Finance SAS (3) (6) (8) | - | 56.60% | 936 | 494 | - | - | 2,115 | 1,035 | (350) | (350) |
| N+1 Corporate Finance, B.V. (2) (6) (7) | - | 94.33% | 15 | 85 | - | - | 75 | 79 | (104) | (104) |
| N+1 U.S. Corporation (2) (6) (7) | - | 94.33% | - | - | - | - | - | - | - | - |
| N+1 REIM UK LLP (3) | 99.99% | 0.01% | 1,000 | (1,046) | - | - | 141 | 255 | (68) | (68) |
| Nmás1 Equities, Sociedad de Valores, S.A. (3) | 50.01% | - | 2,000 | 647 | - | - | 5,763 | 1,646 | 1,888 | 1,470 |
| Nmás1 Asset Management, S.G.I.I.C., S.A.U. (3) (5) | 100% | - | 300 | 500 | - | - | 6,286 | 4,430 | 1,429 | 1,056 |
| QMC Directorship, S.L.U. (2) (10) (5) | - | 100% | 3 | 1 | - | - | 103 | 7 | 126 | 92 |
| Baruch Inversiones, S.L. (2) | 46.56% | - | 276 | 105 | 1,542 | - | 2,713 | 806 | (16) | (16) |
| Nmás1 Debt Solutions, S.L. (2) (9) | 75% | - | 4 | - | - | - | 947 | 1,204 | 363 | (261) |
| Nmás1 REIM, S.L.U. (2) (9) (11) | 100% | - | 10 | 64 | - | - | 36 | - | - | (38) |
| Nmás1 REIM Spain, S.L.U. (2) (9) (11) | - | 100% | 3 | (3) | - | - | 269 | 79 | 264 | 190 |
| Nmás1 REIM France (4) (10) (11) | - | 75% | 50 | (436) | - | - | 391 | 1,375 | (598) | (598) |
| Nmás1 Dinamia Portfolio II, S.L. (2) (7) | 100% | - | 100 | 7,441 | 2,273 | - | 10,160 | 348 | (2) | (2) |

(1) Figures from separate financial statements.
(2) Companies whose financial statements are not audited but are subject to a limited review.
(3) Companies whose financial statements are audited by Deloitte.
(4) Company whose financial statements are audited.
(5) Nmás1 Asset Management, S.G.I.I.C, S.A.U. is sole shareholder of QMC Directorship, S.L.U.
(6) Nmás1 International Corporate Advisory, S.L. is sole shareholder of Nmás1 Corporate Finance, S.A.U. It also holds 85% of N+1 s.r.l. (formerly N+1 Syz s.r.l.), 28.16% of Nplus1 Signer Ltd., 60% of N+1 Deutschland GmbH, 60% of N+1 France Corporate Finance SAS, 100% of N+1 Corporate Finance B.V., 100% of N+1 U.S. Corporation, 35% of Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş and Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş, and 25% of N+1 Swiss Capital AG, Zürich.
(7) Companies incorporated in 2015.
(8) Companies acquired in 2015.
(9) Companies incorporated in 2014.
(10) Companies acquired in 2014.
(11) Nmás1 REIM, S.L.U. is sole shareholder of Nmás1 REIM Spain, S.L.U. and has a 75% stake in N+1 REIM France.
(12) Mercapital Private Equity S.G.E.I.C., S.A.U. is sole shareholder of Paulonia Servicios de Gestión, S.L.U., Partilonia Administración, S.L.U., Mideslonia Administración, S.L.U. and Flenox, S.L.U.
(13) Nmás1 Investment Managers, S.L.U. is sole shareholder of Nmás1 Capital Privado S.G.E.I.C., S.A.U., Mercapital Private Equity S.G.E.I.C., S.A.U., Nmás1 Private Equity International Limited, N Más Uno Advisor, S.A.U., EQMC GP LLC and Alteralia Management, S.à.r.l.
(14) Nmás1 Capital Privado, S.G.E.I.C., S.A.U. is sole shareholder of Nmás1 Capital Privado Servicios, S.L.U.
(15) Nmás1 Corporate Finance, S.A.U. has a 70% stake in Nmás1 Corporate Portfolio Advisors, S.L.
(16) The profit or loss of each entity for the whole of 2015 is included, irrespective of the date on which it was included in the Group.

Interests in associates and jointly-controlled entities at 31 December 2016:

| | % shareholding | | | | Thousands of Euros Figures for each Company as at 31 December 2016 (1) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | Profit (loss) (10) | |
| | Direct | Indirect | Carrying amount (*) | Accumulated impairment (*) | Share capital | Reserves and share premium | Valuation adjustments | Interim dividends | Total assets | Total Liabilities | Operating | Net |
| **Holdings in jointly controlled enterprises:** | | | | | | | | | | | | |
| Alpina Real Estate GP I, S.A. (2) | 50% | - | 15 | (15) | 31 | 41 | - | - | 146 | 99 | (25) | (25) |
| Alpina Real Estate GP II, S.A. (2) | 50% | - | 15 | - | 31 | 126 | - | - | 217 | 72 | (4) | (12) |
| Alpina Real Estate GP, S.A. (2) | 50% | - | 16 | - | 31 | 215 | - | - | 455 | 204 | 7 | 5 |
| Phoenix Recovery Management, S.L. (3) (6) (7) | 50% | - | 102 | - | 4 | 224 | - | - | 482 | 202 | 70 | 52 |
| **Holdings in associates:** | | | | | | | | | | | | |
| Nplus1 Singer Ltd (3) (4) | | 25,96% | 6.032 | - | 127 | 23.983 | (1.693) | - | 39.390 | 10.089 | 8.605 | 6.884 |
| Alantra AG (2) (4) | | 23,83% | 2.587 | - | 164 | 517 | 127 | - | 4.206 | 1.237 | 2.739 | 2.161 |
| Landmark Capital, S.A. (3) (5) (9) | | 28,59% | 4.844 | (1.111) | 1.162 | 1.684 | - | (1.739) | 2.821 | 593 | 1.590 | 1.121 |
| Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş. (3) (4) (8) | | 33,36% | 470 | (470) | - | - | - | - | - | - | - | - |
| Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. (3) (4) (8) | | 33,36% | 35 | (35) | - | - | - | - | - | - | - | - |
| Nplus1 Daruma Turizm Yatırım Finansal Dan.Hiz.A.Ş (3) (8) | | 26,68%1 | 13 | | - | - | - | - | - | - | - | - |

(*) In the separate financial statements of the company holding the equity interest.
(1) Figures from separate annual financial statements, except for Nplus1 Singer Ltd and Landmark Capital, S.A., which are from consolidated accounts.
(2) Companies whose annual financial statements are not audited, although they are submitted to a limited review for the purposes of an audit of the consolidated financial statements.
(3) Companies whose annual financial statements are audited by Deloitte and at the consolidated level in the cases of Nplus1 Singer Ltd and Landmark Capital, S.A.
(4) Alantra International Corporate Advisory, S.L. is sole shareholder of Alantra Corporate Finance, S.A.U., Alantra Deutschland GmbH, Alantra Corporate Finance B.V., N+1 U.S. Corporation and Nmás1 Chile SPA. It also holds 85% of the capital of Alantra, s.r.l., 60% of N+1 France Corporate Finance SAS, 85% of Másuno Portugal Corporate Finance, Unipessoal LDA, 80% of Alantra Nordics AB, 87,5% of Alantra Greece Corporate Advisors, S.A., 27,24% of Nplus1 Signer Ltd, 35% of Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş and Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş and 25% of Alantra AG.
(5) Companies acquired in 2016.
(6) Companies incorporated in 2015.
(7) Companies acquired in 2015.
(8) Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. has an 80% stake in Nplus 1 Daruma Turizm Yatırım Finansal Dan.Hiz.A.Ş. Financial information has not been included as these holdings were fully written off as impaired in previous years with no impact on Group equity.
(9) Nmás1 Chile Spa holds 30% of the capital of Landmark Capital, S.A.
(10) The profit or loss of each entity for the whole of 2015 is included, irrespective of the date on which it was included in the Group.

Interests in associates and jointly-controlled entities at 31 December 2015:

| | % shareholding | | | | Thousands of euros Figures for each company at 31 December 2015 (1) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | Profit (loss) (9) | |
| | Direct | Indirect | Carrying amount (*) | Accumulated impairment (*) | Share capital | Reserves and share premium | Valuation adjustments | Interim dividends | Total assets | Total Liabilities | Operating | Net |
| **Investments in jointly-controlled companies:** | | | | | | | | | | | | |
| Plusalpina Real Estate Advisors GmbH (3) | 50% | - | 14 | - | 25 | - | - | (203) | 1,887 | 948 | 1,362 | 915 |
| Alpina Real Estate GP I, S.A. (2) | 50% | - | 15 | (15) | 31 | (3) | - | - | 59 | 87 | (56) | (56) |
| Alpina Real Estate GP II, S.A. (2) | 50% | - | 15 | - | 31 | 77 | - | - | 522 | 335 | 104 | 79 |
| Alpina Real Estate GP, S.A. (2) | 50% | - | 16 | - | 31 | 250 | - | - | 1,133 | 417 | 615 | 435 |
| Phoenix Recovery Management, S.L. (3) (5) (6) | 50% | - | 102 | - | 4 | 200 | - | - | 607 | 379 | 34 | 24 |
| **Investments in associates:** | | | | | | | | | | | | |
| Nmás1 Syz Valores Agencia de Valores, S.A. (3) | 23% | - | 2,281 | (1,796) | 380 | 1,854 | - | - | 5,886 | 4,280 | (628) | (628) |
| Nmás1 Syz Gestión, S.G.I.I.C., S.A. (3) | 23% | - | 512 | (250) | 544 | 633 | - | - | 2,513 | 1,566 | (230) | (230) |
| Nplus1 Singer Ltd (3) (4) | - | 26.56% | 6,032 | - | 123 | 23,491 | - | - | 55,566 | 26,043 | 6,643 | 5,909 |
| N+1 Swiss Capital AG, Zürich (3) (4) (10) | - | 23.58% | 2,516 | - | 164 | 515 | - | - | 1,822 | 705 | 572 | 438 |
| Nplus1 Daruma Finansal Danışmanlik Hizmetleri A.Ş. (3) (4) (7) | - | 33.02% | 470 | (470) | 415 | 90 | - | - | 454 | 1,183 | (1,237) | (1,234) |
| Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. (3) (4) (7) (8) | - | 33.02% | 35 | (35) | 100 | (182) | - | - | 43 | 125 | (163) | (168) |
| Nplus1 Daruma Turizm Yatırım Finansal Dan.Hiz.A.Ş (3) (8) | | 26.41% | 13 | - | 17 | (20) | - | - | 15 | 21 | (2) | (3) |

(*) In the separate financial statements of the company holding the equity interest.
(1) Figures from the separate financial statements, except in the case of Nplus1 Singer Ltd.
(2) Companies whose financial statements are not audited but are subject to a limited review.
(3) Companies whose financial statements are audited by Deloitte.
(4) Nmás1 International Corporate Advisory, S.L. is sole shareholder of Nmás1 Corporate Finance, S.A.U. It also holds 85% of N+1 s.r.l. (formerly N+1 Syz s.r.l.), 28.16% of Nplus1 Signer Ltd., 60% of N+1 Deutschland GmbH, 60% of N+1 France Corporate Finance SAS, 100% of N+1 Corporate Finance B.V., 100% of N+1 U.S. Corporation, 35% of Nplus1 Daruma Finansal Danışmanlik Hizmetleri A.Ş and Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş, and 25% of N+1 Swiss Capital AG, Zürich.
(5) Companies incorporated in 2015.
(6) Companies acquired in 2015.
(7) Companies acquired in 2014.
(8) Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. has an 80% stake in Nplus 1 Daruma Turizm Yatırım Finansal Dan.Hiz.A.Ş..
(9) The profit or loss of each entity for the whole of 2015 is included, irrespective of the date on which it was included in the Group.

**Separate financial statements**

The separate financial statements of the Group's parent (Alantra Partner, S.A.) were prepared in accordance with the Spanish General Chart of Accounts (*Plan General de Contabilidad*) approved by Royal Decree 1514/2007 of 16 November, and the sector-specific versions thereof. The Group recognises its investments in subsidiaries, associates and jointly-controlled entities at cost in the separate financial statements, as stipulated in the Spanish General Chart of Accounts and permitted by IAS 27 "Consolidated and separate financial statements".

The financial statements of Alantra Partners, S.A. at 31 December 2016 and 2015 are as follows:

Balance sheets at 31 December 2016 and 2015 of Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A., S.A.)

| ASSETS | 31/12/2016 (Thousands of euros) | 31/12/2015 (Thousands of euros) |
|---|---|---|
| **NON-CURRENT ASSETS** | **117,416** | **73,149** |
| **Intangible assets** | **29** | **42** |
| **Property and equipment** | **790** | **914** |
| **Non-current investments in group companies and associates-** | **79,867** | **37,081** |
| Equity instruments | 58,508 | 36,804 |
| Loans to companies | 21,359 | 277 |
| **Non-current financial assets-** | **36,118** | **35,102** |
| Equity instruments | 24,038 | 10,187 |
| Loans to third parties | 11,938 | 24,773 |
| Other financial assets | 142 | 142 |
| **Deferred tax assets** | **612** | **10** |
| **CURRENT ASSETS** | **64,765** | **106,675** |
| **Trade and other receivables-** | **27,435** | **30,503** |
| Trade receivables | 4 | 176 |
| Receivable from Group companies and associates | 14,343 | 17,375 |
| Sundry accounts receivable | 3,793 | 5,620 |
| Employee receivables | 71 | 68 |
| Other receivables from the tax authorities | - | 7,264 |
| Current tax assets | 9,224 | - |
| **Current financial investments** | **8,683** | **3,750** |
| **Cash and cash equivalents-** | **28,647** | **72,422** |
| Cash | 28,647 | 67,387 |
| Cash equivalents | - | 5,035 |
| TOTAL ASSETS | 182,181 | 179,824 |

| LIABILITIES AND EQUITY | 31/12/2016 (Thousands of euros) | 31/12/2015 (Thousands of euros) |
|---|---|---|
| **EQUITY** | **157,098** | **167,086** |
| *OWN FUNDS-* | ***157,942*** | ***167,050*** |
| **Capital** | **106,611** | **101,011** |
| **Share premium** | **92,062** | **105,492** |
| **Reserves-** | **(41,870)** | **(97,894)** |
| Legal and statutory reserves | 20,215 | 70 |
| Other reserves | (62,085) | (97,964) |
| **Treasury shares and own equity investments** | **(1,138)** | **(460)** |
| **Profit (loss) for the period** | **2,277** | **61,756** |
| **Interim dividend** | - | **(2,855)** |
| **Other equity instruments** | - | - |
| *VALUATION ADJUSTMENTS-* | ***(844)*** | ***36*** |
| **Available-for-sale financial assets** | **(844)** | **36** |
| **NON-CURRENT LIABILITIES** | **4,598** | **1,719** |
| **Non-current provisions** | **1,587** | **1,289** |
| **Non-curren payables** | **2,616** | - |
| **Deferred tax liabilities** | **395** | **430** |
| **CURRENT LIABILITIES** | **20,485** | **11,019** |
| **Current payables** | - | - |
| **Current payables, group companies and associates** | **5,525** | **5,066** |
| **Trade and other payables-** | **14,960** | **5,953** |
| Other payables | 11,961 | 2,526 |
| Employee payables | 2,075 | 2,241 |
| Other payables to the tax authorities | 924 | 1,186 |
| Current tax liabilities | - | - |
| TOTAL EQUITY AND LIABILITIES | 182,181 | 179,824 |

**Income statements for the years ended 31 December 2016 and 2015 of Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.)**

*Thousands of euros*

| | 2016 | 2015 |
|---|---|---|
| CONTINUING OPERATIONS | | |
| **Revenue** | **11,950** | **17,467** |
| **Other operating income-** | **4,645** | **3,674** |
| Non-core and other current operating income | 4,645 | 3,674 |
| **Personnel expenses-** | **(4,021)** | **(4,920)** |
| Wages, salaries and similar expenses | (3,352) | (4,275) |
| Employee benefits expense | (669) | (645) |
| **Other operating costs-** | **(10,808)** | **(9,439)** |
| Outside services | (10,706) | (9,379) |
| Taxes | (102) | (60) |
| Losses, impairment and changes in trade provisions | - | - |
| **Depreciation and amortisation** | **(171)** | **(158)** |
| **Impairment losses and gains (losses) on disposal of non-current assets-** | - | - |
| Impairment and losses | - | - |
| **Negative goodwill in business combinations** | - | **53,561** |
| OPERATING PROFIT (LOSS) | **1,595** | **60,185** |
| **Finance income-** | **1,018** | **1,878** |
| From marketable securities and other financial instruments | | |
| - Group companies and associates | 732 | 1,769 |
| - Third parties | 286 | 109 |
| **Finance costs** | **(29)** | - |
| **Exchange differences** | **704** | **2** |
| **Impairment losses and gains (losses) on disposal of financial instruments-** | **(1,462)** | **(982)** |
| Impairment and losses | (1,807) | (1,542) |
| Gains (losses) on disposals and others | 345 | 560 |
| NET FINANCE INCOME (EXPENSE) | **231** | **898** |
| PROFIT (LOSS) BEFORE TAX | **1,826** | **61,083** |
| Income tax | 451 | 673 |
| PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS | **2,277** | **61,756** |
| DISCONTINUED OPERATIONS | - | - |
| Profit (loss) after tax for the period from discontinued operations | - | - |
| PROFIT (LOSS) FOR THE PERIOD | **2,277** | **61,756** |

Statements of changes in equity for the years ended 31 December 2016 and 2015 of Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.)

A) Statements of recognised income an expense

*Thousands of euros*

| | 2016 | 2015 |
|---|---|---|
| PROFIT (LOSS) FOR THE PERIOD (I) | 2,277 | 61,756 |
| Income and expense recognised directly in equity | | |
| - Measurement of financial instruments | (1,173) | 3 |
| Available-for-sale financial assets | (1,173) | 3 |
| Other income (expense) | - | - |
| - Cash flow hedges | - | - |
| - Grants, donations and bequests received | - | - |
| - Actuarial gains and losses and other adjustments | - | - |
| - Tax effect | 293 | (1) |
| TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II) | (880) | 2 |
| Amounts transferred to the income statement | | |
| - Measurement of financial instruments | - | - |
| Available-for-sale financial assets | - | - |
| Other income (expense) | - | - |
| - Cash flow hedges | - | - |
| - Grants, donations and bequests received | - | - |
| - Tax effect | - | - |
| TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT (III) | - | - |
| TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III) | 1,397 | 61,758 |

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015 OF ALANTRA PARTNERS, S.A. (FORMERLY NMÁS1 DINAMIA, S.A.)

B) Statements of total changes in equity

*Thousands of euros*

| | Capital | Share premium | Reserves | Treasury shares | Profit (loss) for the period | Interim dividend | Other equity instruments | Valuation adjustments | Grants donations and bequests received | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE AT YEAR-END 2014** | 2,471 | 28,129 | 4,341 | (40) | 7,141 | (5,987) | (32) | 34 | | 36,057 |
| Adjustments for changes in accounting criteria | - | - | - | - | - | - | - | - | - | - |
| Restatements to correct errors | - | - | - | - | - | - | - | - | - | - |
| **RESTATED OPENING BALANCE, 2015** | 2,471 | 28,129 | 4,341 | (40) | 7,141 | (5,987) | (32) | 34 | | 36,057 |
| **Total recognised income and expense** | - | - | - | - | 61,756 | - | - | 2 | - | 61,758 |
| **Transactions with shareholders** | | | | | | | | | | |
| - Compensation transferred from takeover | | | | | | | | | | |
| Equity issues | 52,173 | 82,955 | - | - | - | - | - | - | - | 135,128 |
| Other adjustments | 46,367 | 13,802 | (102,967) | 40 | - | - | - | - | - | (42,758) |
| - Equity issues | - | - | - | - | - | - | - | - | - | - |
| - Shares cancelled | - | - | - | - | - | - | - | - | - | - |
| - Conversion of financial liabilities into equity | - | - | - | - | - | - | - | - | - | - |
| - Dividend distribution | - | (19,394) | (1,147) | - | - | (2,855) | - | - | - | (23,396) |
| - Transactions with treasury shares (net) | - | - | - | (460) | - | - | - | - | - | (460) |
| - Business combinations | - | - | - | - | - | - | - | - | - | - |
| - Other transactions | - | - | 725 | - | - | - | 32 | - | - | 757 |
| **Other changes in equity** | - | - | 1,154 | - | (7,141) | 5,987 | - | - | - | - |
| **CLOSING BALANCE, 2015** | 101,011 | 105,492 | (97,894) | (460) | 61,756 | (2,855) | - | 36 | - | 167,086 |
| Adjustments for changes in accounting criteria | - | - | - | - | - | - | - | - | - | - |
| Restatements to correct errors | - | - | - | - | - | - | - | - | - | - |
| **RESTATED OPENING BALANCE, 2016** | 101,011 | 105,492 | (97,894) | (460) | 61,756 | (2,855) | - | 36 | - | 167,086 |
| **Total recognised income and expense** | - | - | - | - | 2,277 | - | - | (880) | - | 1,397 |
| **Transactions with shareholders** | | | | | | | | | | |
| - Equity issues | 5,600 | 12,002 | (2,877) | - | - | - | - | - | - | 14,725 |
| - Shares cancelled | - | - | - | - | - | - | - | - | - | - |
| - Conversion of financial liabilities into equity | - | - | - | - | - | - | - | - | - | - |
| - Dividend distribution | - | (25,432) | - | - | - | - | - | - | - | (25,432) |
| - Transactions with treasury shares (net) | - | - | - | (678) | - | - | - | - | - | (678) |
| - Business combinations | - | - | - | - | - | - | - | - | - | - |
| - Other transactions | - | - | - | - | - | - | - | - | - | - |
| **Other changes in equity** | - | - | 58,901 | - | (61,756) | 2,855 | - | - | - | - |
| **CLOSING BALANCE, 2016** | 106,611 | 92,062 | (41,870) | (1,138) | 2,277 | - | - | (844) | - | 157,098 |

Statements of cash flows for the years ended 31 December 2016 and 2015 of Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.)

*Thousands of euros*

| | 2016 | 2015 |
|---|---|---|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (I) | 6,192 | 8,978 |
| **Profit (loss) before tax** | 1,826 | 61,083 |
| **Adjustments to profit and loss** | | |
| - Depreciation and amortisation | 171 | 158 |
| - Impairment losses | 783 | 1,542 |
| - Proceeds from (payments for) retirements and disposals of financial instruments | (345) | (560) |
| **Changes in working capital** | | |
| - Trade and other receivables | 8 | 23,196 |
| - Otros activos corrientes | (750) | - |
| - Trade and other payables | 4,800 | 5,713 |
| - Other current liabilities | 459 | 4,355 |
| - Other non-current assets and liabilities | (13,508) | (39,808) |
| **Other cash flows from (used in) operating activities** | | |
| - Dividends received | 3,483 | 3,585 |
| - Income tax receipts (payments) | (4,580) | (7,522) |
| - Other receipts (payments) | 13,845 | (42,764) |
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (II) | (35,260) | 84,662 |
| **Payments for investments** | | |
| - Group companies and associates | (7,510) | (1,900) |
| - Intangible assets | (7) | (43) |
| - Property and equipment | (27) | (82) |
| - Other financial assets | (20,494) | (2,908) |
| - Other assets | (20,632) | - |
| **Proceeds from disposals** | | |
| - Group companies and associates | 14 | 52,843 |
| - Other business units | - | 35,818 |
| - Other financial assets | 3,128 | 156 |
| - Other assets | 10,268 | 778 |
| CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (III) | (14,707) | (23,091) |
| **Proceeds from and (payments for) equity instruments** | | |
| - Issuance of equity instruments | - | - |
| - Acquisition of own equity instruments | (678) | (548) |
| - Disposal of own equity instruments | - | 853 |
| **Proceeds from and (payments for) financial liabilities** | | |
| **Dividends paid and payments on other equity instruments** | | |
| - Dividends | (16,645) | (23,396) |
| EFFECT OF CHANGES IN EXCHANGE RATES (IV) | - | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV) | (43,775) | 70,549 |
| Cash and cash equivalents, opening balance | 72,422 | 1,873 |
| Cash and cash equivalents, closing balance | 28,647 | 72,422 |

**Main transactions during the year**

*Acquisition of 100% of the Downer Group*

As reported to the Comisión Nacional del Mercado de Valores in the Material Disclosure submitted on 24 November 2015, the Company signed a sale-purchase agreement (the "sale-purchase agreement") to acquire all of the units representing the share capital of Downer & Company, LLC, a US company and head of a group (hereinafter, the "Downer Group") with presence in the United States and other countries (primarily, Germany, France, Ireland, China and India), dedicated to corporate finance advisory activities. The inclusion of Downer & Company, LLC allows the Alantra Group to broaden its industrial specialisation, thanks to the former's experience in sectors such as manufacturing, warehousing and cargo transport, food, consumer products, aerospace and defence. The acquisition also marks a major step forward in the Alantra Group's strategy of constructing a global mid-market financial advisory platform.

The deal was made subject, amongst other conditions precedent, to approval by the Financial Industry Regulatory Authority (hereinafter, "FINRA"), the US regulatory authority that supervises Downer & Company, LLC in the United States.

On 27 April 2016, after that clearance was attained, the Company, directly and indirectly through its US subsidiary incorporated for that purpose under the name N+1 US Corporation LLC, acquired from Upper Partners, LLC (hereinafter, the "Seller") 100% of the equity of Downer & Company, LLC, which, in turn, held equity stakes in Downer & Company, SAS, C.W. Downer & Co. India Advisors, LLP and C.W. Downer & Co GmbH.

The main terms of the acquisition were as follows:

- Acquisition by Alantra Partners, S.A. of 26,742 units of Downer & Company, LLC, representing 35.66% of its share capital. The consideration consists in delivery by the Company of 1,262,652 shares (after a prior capital increase approved by the General Meeting) or, if the Company was unable for whatever reason to issue or deliver said shares before 30 May 2017, in a cash payment by the Company of USD 12,685,968.

  On 27 April 2016, the partners of Alantra International Corporate Advisory, S.L. resolved to increase said company's share capital by issuing 14,901 units with nominal value of one euro each and a total acquisition premium of €9,135,119. The new units were acquired by Alantra Partners, S.A. by way of non-monetary contribution of the above-described 26,742 shares of Downer & Company, LLC, with no nominal value, representing 35.656% of the share capital de Downer & Company, LLC. That resolution was entered in the Companies Registry on 11 May 2016. As a result of that capital increase the Company increased its interest from 94.33% to 95.08% in Alantra International Corporate Advisory, S.L.

  In turn, and simultaneously, Alantra International Corporate Advisory, S.L., as sole shareholder of N+1 US Corporation, LLC, resolved to increase the share capital of the latter by issuing 26,742 shares with no nominal value. The new shares were acquired in their entirety by Alantra International Corporate Advisory, S.L. by way of the non-monetary contribution, once again, of the 26,742 shares of Downer & Company, LLC, with no nominal value, representing 35.656% of the share capital of Downer & Company, LLC and a cash contribution of USD 6,060,000.

- Acquisition by N+1 US Corporation, LLC of 48,258 shares of Downer & Company, LLC, representing 64.34% of the share capital of Downer & Company LLC. The consideration payable for those shares was:

- An initial cash consideration at the closing date of the sale-purchase agreement of USD 14,828,498 and the interest accruing thereon from 1 January 2016 (date which the parties agreed in the sale-purchase contract as effective economic date of the acquisition), which amounted to USD 71,712.

  In this connection, on 27 April 2016 the Company granted a loan to N+1 US Corporation, LLC and to Alantra International Corporate Advisory, S.L. for USD 8,940,000 and €5,365,205.85, respectively, so that N+1 US Corporation, LLC could pay the cash consideration for the acquisition of 48,258 shares of Downer & Company, LLC. Said loans have a maturity date of 31 December 2025 and bear floating interest per annum referenced to the 1-year Euribor + 600 basis points, payable at the close of each calendar year (with a floor of 600 basis points).

- Deferred cash consideration of USD 3,750,000 in three instalments of USD 1,250,000 each, payable in January 2017, January 2018 and January 2019. The first instalment has already been paid at the date these consolidated financial statements are prepared.

- A contingent consideration of 50% of the tax credits the Alantra Group recovers in a period of 5 years after the close, up to a maximum of USD 1,400,000. The Group estimates it will recover the maximum amount.

The sale-purchase of the Downer & Company, LLC shares was recognised for accounting purposes on 27 April 2016 (date the FINRA cleared the acquisition) and, as a consequence of what has been described above, 100% of the holding is owned by N+1 US Corporation LLC. Also, as a result of the difference between the price of acquisition and the net fair value of the assets and liabilities of the Downer Group at that date, goodwill of USD 28,024 thousand was generated and was finally recorded under the "Intangible assets – Goodwill" on the assets side of the consolidated balance sheet at 31 December 2016 (see Note 6). The countervalue of that amount is expressed in euros, subsequent to the Group's application of the European Central Bank's exchange rate (see Notes 3-h and 6).

On 16 August 2016 an agreement was signed between Downer & Company, LLC and Alantra Deutschland Gmbh whereby Downer & Company, LLC sells the share it owns in the Germany subsidiary N+1 Downer GmbH, with a nominal value of €25 thousand, representing a 100% ownership interest in that company, for €85 thousand. In addition, on 29 August 2016 an agreement was reached for merger-takeover of N+1 Downer GmbH by Alantra Deutschland GmbH. Therefore, as from said dates, the only investees of Downer & Company, LLC are Downer & Company, S.A.S. and C.W. Downer & Co. India Advisors LLP.

Lastly, as projected, on 13 December 2016 the General Meeting of the Company resolved to increase its share capital, by set-off of loans and issuing and placing in circulation 1,262,652 ordinary shares with a nominal value of €3 each and a share premium of approximately €6.525 per share. The total amount of the capital increase was fully subscribed and paid in by the seller. The difference between the capital increase plus share premium and the amount recognised by the Company in respect of the consideration of 26,742 shares of Downer & Company, LLC has been recorded as "Reserves" in the Group's consolidated equity (see Note 14). Subsequent to the issuance of the shares, certain shareholders' agreements have entered into effect that restrict or condition the free transferability of the issued shares (see Note 14).

As a consequence of the change in the Group's name (see Note 1), on 7 November 2016 Downer & Company, LLC was renamed Alantra, LLC.

*Acquisition of additional units in Alantra Wealth Management and takeover of control:*

As reported in a Material Disclosure of 17 May 2016, the Company reached an agreement with Financière Syz, S.A. to acquire an additional 27.01% (on top of the 23% already held since 2015) of the share capital of the

companies Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A., the entities through which the Alantra Group carries on its private banking activity. The transaction stems from the Alantra Group's interest in the private banking business, of strategic value on its own and also for the potential synergies with other areas of the Alantra Group.

In addition, on 17 May 2016 a shareholders' agreement was signed (hereinafter, the "Shareholders' Agreement") covenanting various aspects regarding the companies' governance. Given the terms of the agreement, the Directors of the Company believe that the companies meet the conditions to be considered subsidiaries, once they fulfil the conditions precedent established for the transaction.

Close of the deal was made conditional on non-opposition by the Comisión Nacional del Mercado de Valores. On 20 September 2016 said securities exchange authority notified the Company of its non-opposition to the acquisition and, finally, on 4 October 2016 the Company reported in a Material Disclosure that on the transaction had been executed on 3 October 2016 subsequent to fulfilment of the condition precedent.

The price paid by the Company for the acquisition of 146,743 Class A shares of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and 102,721 Class A shares of Alantra Wealth Management, A.V., S.A. was €1,638 thousand and €3,822 thousand, respectively, and has been paid. Simultaneously to the above, 3Axis Involvement, S.L. (also shareholder in the companies) reached an agreement with Financière Syz, S.A. to acquire a further 18.99% (in addition to the 31% it already held) of the share capital of the companies.

As a result of the above transactions, the Company's interest in Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. rose from 23% to 50.01%. In addition, 3Axis Involvement, S.L. owns the remaining 49.99% of both companies. The two companies are thus wholly owned by the Company and the management team of the private banking area.

Also, in the aforesaid Shareholders' Agreement a put option was covenanted over all of the shares of the companies owned from time to time by 3Axis Involvement, S.L. Under that put option, 3Axis Involvement, S.L. has the right, but not the obligation, to sell and transfer all of its shares in Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. to the Company, which has the obligation to buy, acquire and pay the price, in certain situations.

The Group recognises the put options on shares of subsidiaries granted to non-controlling holdings at the date of acquisition of a business combination, by recording a financial liability for the present value of the best estimate of the amount payable, which forms part of the consideration paid. In subsequent years, the variation in the financial liability is recognised in reserves. The discretionary dividends, if any, paid to non-controlling holdings until the exercise date of the options are recognised as a distribution of profit. If the options are not eventually exercised, the transaction is recognised as a sale of holdings to minority shareholders. Therefore, at 31 December 2016, the "Non-current financial liabilities" heading on the liabilities side of the consolidated balance sheet includes €5,729 thousand in respect of the put option granted to 3Axis Involvement, S.L. (see Note 17), which generated a charge to reserves of €2,790 thousand (see Note 14).

As provided by IFRS 3 "Business combinations", on acquiring control of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A., the Company measured at fair value the prior investment, which had previously been classified as interests in associates, recording a profit of €1,268 thousand under "Impairment losses and gains (losses) on disposal of financial instruments" in the 2016 consolidated income statement (see Notes 3-w and 27).

Furthermore, the Directors of the Company, in the process of recognising the identifiable assets acquired, considered that the requirements were met for recognising deferred tax assets from the tax loss carryforwards existing in Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. of €1,984 thousand and €6,590 thousand, respectively. These amounts were recorded under "Deferred tax assets"

on the assets side of the consolidated balance sheet (see Note 19). In that same recognition process, the Directors of the Company recorded an intangible asset of €1,100 thousand for a list of customers. That intangible asset, recorded under "Intangible assets - Other intangible assets" on the assets side of the consolidated balance sheet, is amortised over the defined useful life, initially estimated at ten years (see Note 6).

Lastly, considering the consideration paid to obtain control of the companies, the amount corresponding to minority interests, the fair value attributed to the 23% interest previously held and the fair value de the identifiable net assets of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A., including those described in the preceding paragraph, goodwill of €4,463 thousand has been generated, and assigned to a cash generating unit composed of the two Wealth Management companies, which has been recorded under "Intangible assets – Goodwill" on the assets side of the consolidated balance sheet at 31 December 2016 (see Note 6).

*Acquisition of a 50% interest in the Landmark Group*

On 20 April 2016 Alantra International Corporate Advisory, S.L. incorporated Nmás1 Chile Spa, with a contribution of USD 1 thousand.

As reported to the Comisión Nacional del Mercado de Valores in a Material Disclosure on 24 May 2016, Nmás1 Chile Spa signed a sale-purchase contract on 23 May 2016 to acquire 50% of the shares of Landmark Capital, S.A., a Chilean company and head of a corporate group (hereinafter, the "Landmark Group") with operations in Chile and Argentina, Brazil and Colombia. The company specialises in advising on corporate transactions in Latin America. Landmark Capital, S.A.'s investee companies include Landmark Capital Assesoria Empresarial Ltda., Landmark Capital Argentina SRL and Landmark Capital Colombia SAS. The addition of the Landmark Group represents a major step in the Alantra Group's international expansion strategy.

The sale-purchase is organised in two stages:

- First stage: at the date of the sale-purchase contract, Nmás1 Chile Spa acquired 30.075% of the share capital of Landmark Capital, S.A. for USD 5,011,758, paid in cash at the signing date of the share sale-purchase agreement. The sale-purchase contract fixed 1 January 2016 as effective date of the acquisition of the 30.0705% of the Landmark Group shares, with Nmás1 Chile Spa from that time forth obtaining 30.0705% of the earnings generated by the Landmark Group.

- Second stage: acquisition by Nmás1 Chile Spa of an additional 20% of the Landmark Capital, S.A. share capital in 2019 at a price to be calculated according to the earnings recorded by the Landmark Group in 2016, 2017 and 2018, so that at the acquisition date there is an economic equivalence between the shares received and the price paid. The effective date for this second transaction will be 1 January 2019, with Nmás Chile Spa acquiring from that same time the rights and obligations in respect of 50% of the Landmark Group. The Group has considered that this second stage generates a financial derivatives, as it involves a future call option for the additional 20% of the Landmark Group, although at 31 December 2016 the measurement of that derivative had no impact on the consolidated income statement of the Alantra Group, as it was not significant.

On 23 and 24 May 2016 the Company granted respective loans to Nmás1 Chile Spa and to Alantra International Corporate Advisory, S.L., of USD 3,761,943 and €1,152,557.34, respectively, to finance Nmás1 Chile Spa's payment of the cash consideration for its acquisition del 30.0705% of Landmark Capital, S.A. (first stage). Those loans fall due on 31 December 2026 and earn interest of 600 basis points per annum, payable at the close of each calendar year.

On 23 May 2016, Alantra International Corporate Advisory, S.L. and Nmás1 Chile Spa signed a loan agreement whereby Alantra International Corporate Advisory, S.L. granted to Nmás1 Chile Spa a loan for a total of USD

1,291,815. Under the agreement Nmás1 Chile Spa also undertook to repay the loan to Alantra International Corporate Advisory, S.L. within one month after the date of the deed. The loan contract did not accrue interest for the benefit of Alantra International Corporate Advisory, S.L. On 28 May 2016 a resolution was approved for a capital increase in Nmás1 Chile Spa pursuant to the capital increase agreed. Alantra International Corporate Advisory, S.L. authorised and approved paying the shares issued in that increase by capitalising the outstanding amount of Alantra International Corporate Advisory, S.L.'s loan to Nmás1 Chile Spa, which at that date amounted to USD 1,291,815.

The Directors of the Company consider that at 31 December 2016 the conditions for considering the Landmark Group as an associate were met and that the Alantra Group did not have control of the Landmark Group. Accordingly, the investment in the Landmark Group has been recorded applying the equity method under "Investments accounted for using the equity method" on the assets side of the consolidated balance sheet at 31 December 2016.

*Spin-off, restructuring and partial sale of the investee portfolio of Dinamia Capital Privado, Sociedad de Capital Riesgo, S.A. (transactions carried out in 2015)*

On 23 February 2015, the Company's Board of Directors approved and signed a spin-off Plan to carve out its investee portfolio, comprising an economic unit, to a new limited company solely owned by the Company: Nmás1 Dinamia Portfolio, S.L. (hereinafter, the "Beneficiary"). In exchange for the contribution, the Company received all the stakes representing the Beneficiary's capital. The agreements on the spin-off were approved by the Company's shareholders at the General Meeting on 29 April 2015 in the context of the Merger between the Company and N+1 IBG described in Note 1. The Company therefore restricted completion of the spin-off until the condition precedent concerning the execution of the deed for the planned Merger of the Company (as acquirer) and N+1 IBG (as acquiree) is fulfilled.

The spin-off enabled the Company to concentrate its investee portfolio in the Beneficiary, transforming the Beneficiary into the Company's investment vehicle. This involved a spin-off through which the Beneficiary acquired *en bloc* through universal succession the Company's former investee portfolio, but not the rest of the Company's assets and liabilities not connected with this investee portfolio. The Company's balance sheet at 31 December 2014 is taken as the spin-off balance sheet (see Note 1). The spin-off took effect for accounting purposes on 9 July 2015, which is when the Beneficiary was integrated into the Group and the Merger was simultaneously completed (see Note 1). The Beneficiary was also incorporated for an indefinite period when the spin-off deed was executed (9 July 2015) with the name Nmás1 Dinamia Portfolio, S.L.

On 23 September 2015, the Company approved the transformation of the Beneficiary into a limited company, without changing it legal personality, for the same duration and its renaming to Nmás1 Dinamia Porfolio, S.A. The deed of transformation was entered in the Companies Register on 20 October 2015.

On 11 November 2015, the Company (as seller) and several funds managed or advised by Access Capital Partners, S.A. (as buyers) formalised a private sale-purchase agreement for Nmás1 Dinamia Portfolio, S.A. shares, subject to fulfilment of several conditions precedent:

Nmás1 Dinamia Portolio II, S.L. was incorporated on 13 November 2015 by way of a non-monetary contribution from Nmás1 Dinamia Portfolio, S.A. of those stakes and shares not included in the aforementioned agreement. Subsequently, that company and certain assets (see Note 9.4) were contributed by way of a distribution of share premium (partly non-monetary) to the Company, the sole shareholder at that time. Thus, Nmás1 Dinamia Portfolio, S.A. was recorded as a private equity company as entry 234 in the CNMV's register. The conditions precedent described in the preceding paragraph were thus fulfilled.

At a General Meeting on 17 December 2015, the Company's shareholders approved the disposal of 70.625% of the capital of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A.

Lastly, on 23 December 2015, the parties agreed to execute the deed of compliance with the conditions precedent and complete the sale-purchase of the Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. shares. The Company therefore sold and transferred 3,576,432 shares in Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. to the buyer for a total price of €57,215 thousand. The following method of payment was also agreed:

- Instalment of €40,000 thousand on executing the transaction.
- Instalment of €10,715 thousand payable to the Company by Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. on behalf of the buyer through the distributions the latter makes to the buyer as shareholder of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A., at the very latest 12 months after the transaction date. If on the date 12 months after the transaction date the buyer (or entity subrogating its position) has not paid the seller all of the second instalment through the aforementioned distributions, the buyer will settle the outstanding balance of the second instalment in cash on the first working day after 31 December 2016. At 31 December 2016 the amount pending receipt stood at €447 thousand, recorded under "Trade and other receivables – Other receivables" on the assets side of the consolidated balance sheet at 31 December 2016 (€10,715 thousand pending receipt at 31 December 2015 that were recorded under "Non-current financial assets" in the consolidated balance sheet). At the date of preparation of these consolidated financial statements the amount outstanding has been paid.
- Instalment of €6,500 thousand payable to the Company by Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. on behalf of the buyer through the distributions the latter makes to the buyer as shareholder of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A., at the very latest 24 months after the transaction date. If on the date 24 months after the transaction date the buyer (or entity subrogating its position) has not paid the seller all of the third instalment through the aforementioned distributions, the buyer will settle the outstanding balance of the third instalment in cash on the first business day after 31 December 2017. This amount is recognised under "Non-financial assets" on the assets side of the consolidated balance sheet at 31 December 2016 and 2015 (see Note 9.4).

As a result of this sale, the Company's stake in Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. decreased from 100% to 29.375%.

At the same time as the transaction was executed, a contract took effect through which Alantra Capital Privado, S.G.E.I.C., S.A. (solely owned by the Alantra Group) became the management company of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. Alantra Capital Privado, S.G.E.I.C., S.A. also manages the N+1 Private Equity Fund II fund, which in turn, holds significant investments in the companies included in the investee portfolio.

Further to this transaction, on 23 December 2015 the Company (as seller) and another financial investor (as buyer) formalised a private agreement for the sale-purchase of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. shares. The Company sold and transferred 1,107,745 shares to the buyer, representing 21.875% of capital for €17,721 thousand. The following method of payment was also agreed:

- Instalment of €12,389 thousand on executing the transaction.
- Instalment of €3,319 thousand payable to the Company by Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. on behalf of the buyer through the distributions the latter makes to the buyer as shareholder of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A., at the very latest 12 months after the transaction date. If on the 31 December 2016 the buyer has not paid the seller all of the second instalment through the aforementioned distributions, the buyer will settle the outstanding balance of the second instalment in cash on the first working day after 31 December 2016. At 31 December 2016 and 2015 the whole of that amount was pending receipt and recorded under "Trade and other receivables – Other receivables" and under "Non-current financial assets" of the consolidated balance sheet at 31 December 2016 and 2015, respectively. At 4 January 2017 the Company had received €3,180 thousand

in respect of this item. Furthermore, at the date of preparation of these consolidated financial statements the amount outstanding has been paid.

- Instalment of €2,013 thousand payable to the Company by Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. on behalf of the buyer through the distributions the latter makes to the buyer as shareholder of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A., at the very latest 24 months after the transaction date. If on the 31 December 2017 the buyer has not paid the seller all of the third instalment through the aforementioned distributions, the buyer will settle the outstanding balance of the third instalment in cash on the first business day after 31 December 2017. This amount is recognised under "Non-financial assets" on the assets side of the consolidated balance sheet at 31 December 2016 and 2015 (see Note 9.4).

As a result of this sale, the Company's stake in Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. once again changed from 29.375% to 7.5%.

Pursuant to the aforementioned disposals of the stakes held by the Group in Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A., the Group initially lost control and then significant influence over the latter. The aforesaid investment was therefore reclassified as an available-for-sale asset under "Non-current financial assets" on the assets side of the consolidated balance sheet at 31 December 2016 for €4.676 thousand (€6,023 thousand at 31 December 2015) -see Note 9.1-. As a result of the above disposals, the Group recognised income of €553 thousand under "Impairment losses and gains (losses) on disposal of financial instruments" in the consolidated income statement for 2015. This result was not material for the Group as the transaction price was similar to that considered when determining the fair values used to recognise the Takeover. The financial impact of the deferred payments is also immaterial vis-à-vis the accompanying consolidated financial statements.

*Other transactions*

On 23 January 2014, N+1 IBG, as sole shareholder of Alantra International Corporate Advisory, S.L., resolved to increase its share capital by issuing 5,538 new units with a nominal value of one euro each and a share premium of €90.24 per unit. The new units were fully subscribe and paid by certain natural persons by way of a non-monetary contribution of 35% of the capital of Nplus 1 Daruma Finansal Danışmanlık Hizmetleri A.Ş. and Nplus 1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. Nevertheless, the 7.5% equity stake owned by minority interests, under the cross options sale-purchase contract executed on that same date, is subject to an adjustment that will be made, if applicable, on the basis of a calculation of the average EBITDAs of Nmás1 International Corporate Advisory, S.L. and the acquired companied for the period 2014-2016. In addition, those minority interests also participated in the capital increase of Alantra International Corporate Advisory, S.L. primarily intended for the investment in the Swiss Capital Corporate Finance AG (see below).

On 30 May 2014 an agreement was signed between Alantra International Corporate Advisory, S.L. and Swiss Capital Corporate Finance AG whereby the shareholders of Swiss Capital Corporate Finance AG sold 50.002% of the voting shares of the company (which nonetheless did not give the Group control under the existing shareholders' agreements), which carried 25.001% of the financial rights, to Alantra International Corporate Advisory, S.L. in exchange for an initial amount of €2,516 thousand plus a sum that was determined at year-end 2016. That sum has been determined at 25% of six times the average EBITDA of Swiss Capital Corporate Finance AG in 2014, 2015 and 2016 less the amount initially paid, with a maximum of €5,000 thousand. Therefore, if the variable amount yielded by that calculation at year-end 2016 had been equal to or less than the €2,516 thousand initially paid, no additional minimum amount would have been payable. Eventually, that variable sum exceeded the initial payment, so the Group has recognised a financial liability in the consolidated balance sheet at 31 December 2016 in respect thereof in the amount of €72 thousand, which has been recorded as an increase in the cost of the investment (no amount recorded in respect of this item at 31 December 2015). Simultaneously, there was an agreement between the two companies for cross options maturing in 2019 whereby Alantra International Corporate Advisory, S.L. was granted an option to acquire an additional 25% of the financial rights of Swiss Capital Corporate Finance AG, with the latter being given the right to demand that the former acquire the said additional 25% in exchange for shares in Alantra International Corporate Advisory, S.L.

Those options had no impact on the consolidated financial statements for 2016 and 2015. After the signing of this agreement, Swiss Capital Corporate Finance AG was renamed N+1 Swiss Capital AG, Zürich. Subsequently, in 2016 N+1 Swiss Capital AG, Zürich was renamed Alantra AG (after the previous modification of the initial name Swiss Capital Corporate Finance AG).

On 17 March 2015, the shareholders of Alantra International Corporate Advisory, S.L. agreed to an amendment to the agreement of 21 January 2014, whereby mutual usufructs were granted between the parties thereto. First, for earnings attributable to the period 2014-2016, a usufruct was granted over the financial rights that N+1 IBG held over the capital of Nplus 1 Daruma Finansal Danışmanlık Hizmetleri A.Ş. and Nplus 1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. (hereinafter, "Daruma companies") for the benefit of the minority interests in Alantra International Corporate Advisory, S.L. In addition, for the same period, a usufruct was granted for the benefit of N+1 IBG over the financial rights that the majority shareholders of the Daruma companies (and minority interests of Alantra International Corporate Advisory, S.L.) held over the companies that Alantra International Corporate Advisory, S.L. held at 31 December 2013. It was likewise agreed that N+1 IBG would proceed to make a cash payment to the minority shareholders of de Alantra International Corporate Advisory, S.L. for all of the amounts they had paid in respect of the capital increases in which they participated after the signing of the initial agreement. As a result of this modification of the initial agreement, N+1 IBG owns 100% of the financial rights of 100% of the companies that Alantra International Corporate Advisory, S.L. held at 31 December 2013 and N+1 Swiss Capital AG, Zürich, until 2017, when, if applicable, the above-described cross options covenanted in the initial agreement are due to mature. Thus, on 29 April 2015, Alantra International Corporate Advisory, S.L. acquired from the minority interests 1,791 shares for €318 thousand, equivalent to the aforementioned contributions made by those minority shareholders. As a consequence of that acquisition, the Company's percentage stake in Alantra International Corporate Advisory, S.L. was modified from 92.5% at 31 December 2014 to 94.33%, and, furthermore, as a consequence of the modifications to the agreements described above and to the performance of the Daruma companies (see Note 8) at 31 December 2015 the minority interests in relation to that entity were already adjusted.

On 31 October 2014, N+1 IBG and the rest of the shareholders in Alantra Investment Managers, S.L.U. (then called Nmás1 Mercapital, S.L.) signed a sale-purchase commitment over all of their holdings for €2,228 thousand, subject to certain conditions precedent. The price would be paid to the former shareholders of Alantra Investment Managers, S.L.U. in three parts: €393 thousand as advance payment, which was paid on 31 October 2014; €272 thousand in cash on the contract signing date and the remaining €1,563 thousand in nine instalments. The amount pending payment is recorded under "Trade and other payables – Other payables" on the liabilities side of the consolidated balance sheet at 31 December 2016 and 2015 (see Note 18). Finally, on 18 December 2014 the final agreement was signed, so that interest held at that date was 100%. Furthermore, a contract was signed at that date to assign a usufruct to N+1 IBG for €300 thousand, by way of payment of €68 thousand in cash on the signing date and payment of the remaining €232 thousand in nine instalments, recorded under "Trade and other payables – Other payables" (see Note 18) on the liabilities side of the consolidated balance sheet at 31 December 2016 and 2015. Insofar as said assignment of usufruct meant N+1 IBG obtained full ownership of the investment in Alantra Investment Managers, S.L.U., as said right of usufruct is terminated, the cost is recorded as a higher cost of acquisition of the investee. The transaction described in this paragraph generated a charge to reserves.

On 4 February 2015, a contract was signed stipulating the terms and conditions on which, subject to fulfilment of certain conditions precedent, Alantra Infrastructure, S.L.U. sold and transferred shares of Nmás1 Eolia, S.G.E.I.C., S.A.U. to Eolia Renovables de Inversiones, S.C.R., S.A., who purchased and acquired the same by way of delivery of 550,088 shares of Eolia Renovables de Inversiones, S.C.R., S.A. to Alantra Infrastructure, S.L.U., plus additional cash consideration of €100 thousand. The conditions precedent were fulfilled on 27 May 2015 and Alantra Infrastructure, S.L.U. proceeded to execute the transfer of ownership and delivery to Eolia Renovables de Inversiones, S.C.R., S.A. of the shares of Nmás1 Eolia, S.G.E.I.C., S.A.U. Eolia Renovables de Inversiones, S.C.R., S.A. likewise executed the transfer of ownership and delivery to Alantra Infrastructure, S.L.U. of the shares of Eolia Renovables de Inversiones, S.C.R., S.A., and paid the additional consideration. On 28 April 2015, upon prior definitive formalisation of the aforesaid agreement, Alantra Infrastructure, S.L.U. had

sold to Nmás1 Eolia, S.G.E.I.C., S.A.U. 100% of the shares of Wessel Duval Nmás1 Energía Spa for €8 thousand. Consequently, at 31 December 2015, Nmás1 Eolia, S.G.E.I.C., S.A. and Wessel Duval Nmás1 Energía Spa were not included in the scope of consolidation. The transaction generated €2,281 thousand for the Group, which is recorded under "Revenue" in the consolidated income statement for 2015.

On 13 July 2015, the shareholders of Baruch Inversiones, S.L. decided to reduce the share capital of that company by reducing the nominal value of the 1,465,867 shares representing its capital from €0.5741 to €0.188, in order to return contributions to shareholders. That reduction was registered in the Companies Registry on 16 September 2015. On 23 November 2015, the shareholders of Baruch Inversiones, S.L. resolved to distribute a share premium of €410 thousand. At 31 December 2016 and 2015 the Group had a 46.56% ownership interest in that company and the Directors of the Company considered that the conditions allowed it to be considered a subsidiary.

On 15 November 2015, N+1 US Corporation LLC was incorporated, wholly owned by with Alantra International Corporate Advisory, S.L.

On 19 January 2016 it was resolved to liquidate Nplus1 Credit Solutions LLP. The liquidation had no impact on the Group income statement.

On 28 January 2016 an agreement was signed whereby Alantra Reim, S.L.U. acquired 100 shares of N+1 Reim France for €10 thousand, taking its ownership interest from 75% to 95%. In addition, on 2 March 2016 another agreement was signed whereby Alantra Reim, S.L.U. purchased 25 shares of N+1 Reim France for €3 thousand, lifting its equity stake to 100% in N+1 Reim France. Lastly, on 29 July 2016 Alantra Reim, S.L.U., sole shareholder of N+1 Reim France, approved the winding up without liquidation of that company and transferred the whole of the assets and liabilities of N+1 Reim France en bloc to Alantra Reim, S.L.U., which thereupon acquired the rights and obligations of N+1 Reim France by universal succession.

On 6 February 2016 Alantra Greece Corporate Advisors, S.A. was incorporated in Greece to provide financial advisory services. Nmás1 International Corporate Advisory, S.L. subscribed for 100% of share capital against a payment of €50 thousand. In addition, on 22 February 2016 Nmás1 International Corporate Advisory, S.L. disposed of 12.5% of share capital of Alantra Greece Corporate Advisors, S.A. by way of a sale of 625 shares thereof for €6 thousand, with no material impact on these consolidated financial statements. At 31 December 2016, Alantra International Corporate Advisory, S.L. held an 87.5% equity interest in Alantra Greece Corporate Advisors, S.A.

On 2 March 2016 an agreement was signed whereby the Company sold and transferred 50% of its stake in Plusalpina Real Estate Advisors GmbH for €360 thousand to Conren Land AG, with no material impact on these consolidated financial statements.

On 11 March 2016 Alantra Capital Markets, Sociedad de Valores, S.A. Unipersonal was incorporated, with the Company paying €2,000 for a 100% ownership interest.

On 6 April 2016 an agreement was signed whereby the Company sold and transferred 99.9% of its stake in N+1 Reim UK for one euro to Trinova Real Estate Ventures Limited, with no material impact for the Group.

On 24 June 2016, Alantra International Corporate Advisory, S.L. paid €533 thousand into MásUno Portugal Corporate Finance, Unipessoal, Lda, in a capital increase subsequent to which it owned 85% of that company.

On 26 July 2016, Alantra International Corporate Advisory, S.L. paid €700 thousand into Alantra Nordics AB in a capital increase subsequent to which it owned 80% of that company.

On 29 June 2016, the Company, as sole shareholder of Alantra Reim, S.L.U. approved on the terms and conditions described in the Merger Proposal of 15 June 2016 the merger-takeover of Nmás1 Reim Spain, S.L.U. by Alantra Reim, S.L.U., which, in accordance with the provisions of Articles 22 and 23 of Law Act 3/2009 of 3 April 2009 on structural modifications of business corporations, implies the winding up of Nmás1 Reim Spain, S.L.U. and en bloc transfer of its assets and liabilities to Alantra Reim, S.L.U., which acquires via universal succession the rights and obligations of Nmás1 Reim Spain, S.L.U. The Merger Proposal set 1 January 2016 as the date from which the transactions carried out by Nmás1 Reim Spain, S.L.U. would be considered for accounting purposes as carried out for the account of Alantra Reim, S.L.U. The public deed of merger was executed on 14 October 2016 and registered in the Companies Registry on 10 November 2016.

On 26 September 2016, the shareholders of Alantra International Corporate Advisory, S.L. resolved to carry out a share split of the 112,628 shares with a nominal value of one euro each, in the proportion of 100 shares with of one euro cent each for each existing share of one euro, thereby leaving the share capital divided into 11,262,800 company shares. In addition, they resolved to increase the company's share capital by issuing 464,102 shares with a nominal value of one euro cent each, with an acquisition premium of €10.942380942112048 per share. The increase was wholly subscribed for and paid in by the shareholders of Alantra Deutschland GmbH by way of a non-monetary contribution of 10,000 shares of Alantra Deutschland GmbH and a cash contribution of €21.90. Also, on 3 November 2016, the shareholders of Alantra International Corporate Advisory, S.L. resolved to increase the company's share capital by issuing 44,910 shares with a nominal value of one euro cent each, with an acquisition premium of €10.942380942112048 per share. The shares were wholly subscribed for and paid in by the shareholders of Alantra Deutschland GmbH by way of a non-monetary contribution of 968 shares of Alantra Deutschland GmbH. Both resolutions were registered in the Companies Registry on 14 November 2016. As a result of those capital increases, Alantra International Corporate Advisory, S.L.'s equity stake Alantra Deutschland GmbH rose from 60% to 100% and Alantra Partners, S.A.'s ownership interest in Alantra International Corporate Advisory, S.L. went from 95.08% to 90.97%. Also, given that Alantra Deutschland Gmbh was already part of the Group, this transaction generated a negative reserve of €4,462 thousand.

On 13 December 2016, the General Meeting of the Company resolved to increase the share capital by issuing and placing in circulation 604,124 ordinary shares with a nominal value of €3 each and a share premium of approximately €6.228 per share (see Note 14). The new shares were wholly subscribed for and paid in by certain shareholders of Alantra International Corporate Advisory, S.L. (specifically, by the former executive shareholders of Alantra Deutschland GmbH) by way of a non-monetary contribution of 509,012 shares of the company Alantra International Corporate Advisory, S.L. (see previous paragraph). As a result of that capital increase, the Company raised its equity stake in Alantra International Corporate Advisory, S.L. from 90.97% to 95.30%. Subsequent to the issuance of the shares, certain shareholders' agreements have entered into effect that restrict or condition the free transferability of the issued shares (see Note 14).

On 9 November 2016 the shareholders of Alpina Real Estate GP I, S.A. resolved to make an aggregate capital contribution of €100 thousand. The Company's disbursement in that contribution amounted to €50 thousand.

In 2016, Nplus1 Singer, Ltd carried out a capital increase of €4 thousand in which the Company did not participate. As a result, the ownership interest of Alantra International Corporate Advisory, S.L. decreased with respect to its take at 31 December 2015 from 28.16% to 27.24%.

## 3. Accounting policies and measurement bases

The following accounting principles, policies and measurement bases were applied in the preparation of the Company's 2016 consolidated financial statements:

### *a) Definitions and classification of financial instruments*

*i. Definitions*

A "financial instrument" is a contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity simultaneously.

An "equity/capital instrument" is any agreement that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A "financial derivative" is a financial instrument, the value of which changes in response to a change in an observable market variable (such as an interest rate, exchange rate, financial instrument price or market index), whose initial investment is very small compared to other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

*ii. Classification of financial assets for measurement and presentation purposes*

Financial assets are initially presented in the consolidated balance sheet as "current" or "non-current" (see Note 3 k)), and subsequently based on their nature. Financial assets are therefore classified according to their nature into the following categories for the purposes of measurement and assignation to line items:

- Cash and cash equivalents: this line item in the consolidated balance sheet includes the balance of the Group's current accounts with financial institutions needed to carry out its activity, and any reverse repurchase agreements and deposit accounts at credit institutions held by the Group and maturing within three months.

- Loans and receivables: this category comprises all receivables and loans which, although not arising from trade, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market. This category includes the line items: "Non-current financial assets – Loans/Other financial assets" (see Note 9), "Other current financial assets", "Other current assets", and "Trade and other receivables" on the assets side of the consolidated balance sheet.

- Available-for-sale financial assets: this category includes debt instruments that are not classified as "Held-to-maturity investments", "Financial assets held for trading" or "Other financial assets at fair value through profit or loss", and equity instruments issued by entities other than subsidiaries, associates or jointly-controlled entities, provided that such instruments have not been classified as "Financial assets held for trading" or "Other financial assets at fair value through profit or loss". This category includes the line item "Non-current financial assets – Available-for-sale financial assets" (see Note 9) on the assets side of the consolidated balance sheet.

- Other financial assets at fair value through profit or loss: this category includes any financial assets acquired for the purpose of generating a profit in the short term from fluctuations in their prices (trading portfolio), financial derivatives not accounted for as hedging instruments, and the investees over which the Group has a significant influence through an "investment entity". (see Note 2.14.3). This category likewise includes financial assets which are not part of the trading book but are managed jointly with financial liabilities to significantly eliminate recognition or measurement inconsistencies. This category includes the line item "Non-current financial assets – Other financial assets at fair value through profit or loss" (see Note 9).

- Investments accounted for using the equity method: this heading in the consolidated balance sheet includes equity/capital instruments in jointly-controlled entities and associates (see Note 2.14), except those classified as "Other financial assets at fair value through profit or loss".

*iii. Classification of financial liabilities for measurement and presentation purposes*

Financial liabilities are initially presented in the consolidated balance sheet as "current" or "non-current" (see Note 3 k)), and subsequently based on their nature. The greater part of the Group's financial liabilities include debts and payables by the Group that have arisen from the purchase of goods or services in the normal course of business and those which, while not having commercial substance, cannot be classed as derivative financial instruments. The Group's financial liabilities are recognised under "Non-current financial liabilities", "Other current liabilities", "Non-current financial liabilities" and "Trade and other payables" on the liabilities side of the consolidated balance sheet. All are classified, for measurement purposes, as "Debts and payables". In addition, the Group has "Other financial liabilities at fair value through profit and loss" recorded under "Trade and other payables – Other payables" (see Note 18) that are managed jointly with other assets classified under "Other financial assets at fair value through profit or loss" (see Note 9.2). Lastly, the heading "Non-current financial liabilities" records financial liabilities originating in the recognition of put options arising in the business combination of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. (see Notes 2.14 and 17).

***b) Measurement and recognition of gains (losses) on financial assets and liabilities***

Financial assets and liabilities are initially recognised at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. This amount is then adjusted by the transaction costs that are directly attributable to the acquisition of the financial asset or issuance of the financial liability, except for financial instruments recognised, where applicable, at fair value through profit or loss. Financial assets and liabilities are subsequently measured at each year-end as follows:

*i. Measurement of financial assets*

Financial assets classified for measurement purposes as "Loans and receivables" are initially measured at fair value (which, unless evidence exists to the contrary, is equal to the transaction price), including any directly attributable transaction costs. Subsequently, these assets are measured at amortised cost using the effective interest rate method. "Amortised cost" is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and the accumulated amortisation taken to the consolidated income statement for the difference between the initial cost and the maturity amount. In the case of financial assets, amortised cost furthermore includes any reductions for impairment or uncollectability. However, balances expected to be collected within one year from the reporting date are measured at their nominal value, insofar as the effect of not discounting them is not significant.

The "effective interest rate" is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows of all kinds over its remaining life. For fixed-rate financial instruments, the effective interest rate coincides with the contractual rate of interest at the time of acquisition, adjusted as necessary for any commissions or fees which by their nature are assignable to a rate of interest. In the case of floating-rate financial instruments, the effective interest rate coincides, where applicable, with the rate of return prevailing in all connections until the first revision of the benchmark interest rate.

Financial assets classified for measurement purposes as "Available-for-sale financial assets" or "Other financial assets at fair value through profit or loss" are initially measured at fair value, including in the case of available-for-sale financial assets any directly attributable transaction costs. Subsequently, changes in the fair value of available-for-sale financial assets are recognised in equity (under "Items that can be subsequently reclassified to profit and loss for the period – Available-for-sale financial assets"), net of the corresponding tax effect, which is recognised as a deferred tax asset or liability until the asset is disposed of or is determined to be (permanently) impaired, at which time the cumulative gain or loss is reclassified to consolidated profit or loss. As the name suggests, any changes in the fair value of other financial assets at fair value through profit and loss are recognised with a charge or credit to profit and loss.

The fair value of a financial instrument on a given date is the amount at which the asset could be exchanged between knowledgeable, willing parties in an arms' length transaction on that date. Fair value is determined without deducting transaction costs incurred on disposal. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price") (see Note 29).

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques sufficiently used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it. Nevertheless, the limitations of the valuation models that have been developed and the possible inaccuracies in the assumptions required by these models may give rise to the fair value thus estimated of a financial instrument differing somewhat from the price at which the instrument could be bought or sold on the valuation date.

Equity investments in other companies and financial derivatives that have equity instruments as their underlying whose fair value cannot be objectively determined are carried at cost, adjusted for any impairment losses.

Disclosures on the fair value of financial instruments, their classification and the measurement bases used are provided in Note 29.

The amounts at which the financial assets are recognised represent, in all material respects, the Group's maximum exposure to credit risk at each reporting date.

*ii. Measurement of financial liabilities*

Financial liabilities classified for measurement purposes as "Debts and payables" are initially measured at fair value (which, unless evidence exists to the contrary, is equal to the transaction price), including any directly attributable transaction costs. These financial liabilities are then measures at amortised cost, while any accrued interest is recognised under "Finance costs" in the consolidated income statement. However, balances expected to be paid within one year from the reporting date are measured at their nominal value, insofar as the effect of not discounting them is not significant. Furthermore, financial liabilities classified for measurement purposes as "Other financial liabilities at fair value through profit and loss" are wholly measured at their fair value, using the same criteria as used for the financial assets with which they are jointly managed, which are also measured at fair value through consolidated profit or loss. Lastly, changes in the value of financial liabilities originating from put options to non-controlling interests (see section i) are recorded with an offsetting in reserves (see Note 2.14).

*iii. Recognition of fair value changes*

As a general rule, changes in the fair value of financial assets and liabilities are recognised with a balancing entry in the consolidated income statement. A distinction is made between the changes resulting from the accrual of interest or dividends (which are recognised under "Finance income" or "Finance costs", as appropriate); those arising from the impairment of asset quality and those arising for other reasons, which are recognised for their net amount under "Impairment losses and gains (losses) on disposal of financial instruments" in the consolidated income statement.

However, changes in the fair value (gains or losses) of other financial assets at fair value through profit and loss are recognised for their net amount under "Changes in fair value of financial instruments" in the consolidated income statement. Exchange differences are recognised under "Exchange differences" in the consolidated income statement.

Changes in the fair value of available-for-sale financial assets are temporarily recognised, net of the corresponding tax effect, in consolidated equity under "Items that can be subsequently reclassified to profit and loss for the period – Available-for-sale financial assets", except for those deriving from exchange differences relating to monetary financial assets, which are recognised under "Exchange differences" in the consolidated income statement. Items charged or credited to "Items that can be subsequently reclassified to profit and loss for the period – Available-for-sale financial assets" continue to form part of the Group's consolidated equity until the asset that gave rise to them or their impairment is derecognised, at which time they are cancelled against "Impairment and gains (losses) on disposal of financial instruments" or "Exchange differences" in the consolidated income statement.

Lastly, details of the profit (loss) of companies accounted for using the equity method are provided in Note 2.14.

***c) Derecognition of financial assets and liabilities***

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

1. If substantially all the risks and rewards of the assets transferred are transferred to third parties – unconditional sales, sales under an agreement to repurchase them at their fair value at the date of repurchase, sales of financial assets with a purchased call option or written put option that is deeply out of the money, and other similar cases – the transferred financial asset is derecognised and any rights or obligations retained or created in the transfer are recognised simultaneously.

2. If the Group retains substantially all the risks and rewards associated with the transferred financial asset – sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, and other similar cases – the transferred financial asset is not derecognised and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognised:

   a. An associated financial liability, for an amount equal to the consideration received and subsequently measured at amortised cost.

   b. The income from the transferred financial asset not derecognised and any expense incurred on the new financial liability – recognised directly in profit and loss.

3. If the Group neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset – sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money and other similar cases – the following distinction is made:

   a. If the transferor does not retain control of the transferred financial asset, the asset is derecognised and any rights or obligations retained or created in the transfer are recognised.

   b. If the transferor retains control of the transferred financial asset, it continues to recognise it for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognised when the cash flows they generate have been extinguished or when substantially all the inherent risks and rewards have been transferred to third parties. Similarly, financial liabilities are only derecognised from the balance sheet when the obligations that gave rise to them have been settled or when they have been acquired, whether with a view to cancellation or resale.

When a financial asset is fully derecognised from the balance sheet, an amount is recognised in the consolidated income statement equal to the difference in value between its carrying amount and the sum of a) the consideration received, including any new assets obtained less any liability assumed and b) any cumulative gain or loss recognised directly as items that can be subsequently reclassified to profit and loss for the period in the equity attributable to the financial asset transferred.

***d) Offsetting***

Asset and liability balances are offset and therefore, reported in the consolidated balance sheet at their net amount, when, and only when, they arise from transactions for which a contractual or legal right of set-off exists and there is an intention to settle them on a net basis, or to realise the asset and settle the liability simultaneously, and that one of the parties involved is a financial institution.

***e) Impairment of financial assets***

*i. Definition*

A financial asset is considered to be impaired – and therefore its carrying amount is adjusted to reflect the effect of impairment – when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.

- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the period in which the impairment becomes evident, and the reversal, if any, of previously recognised impairment losses is recognised in the consolidated income statement for the period in which the impairment ceases to exist or is reduced. When the recovery of any recognised amount is considered unlikely due to impairment, the amount is written off, without prejudice to any actions that the Group may initiate to seek collection until its contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

*ii. Financial assets at amortised cost*

The amount of an impairment loss incurred on a debt instrument carried at amortised cost is equal to the negative difference between its carrying amount and the present value of its estimated future cash flows, and is presented as a reduction of the balance of the asset adjusted.

The process of assessing these assets for potential impairment losses is performed individually for all financial assets measured at amortised cost. The impairment losses recognised at any given time are therefore the sum of the losses on specific transactions.

Losses due to impairment are recognised under "Impairment losses and gains (losses) on disposal of financial instruments" in the consolidated income statement.

*iii. Available-for-sale financial assets*

The impairment loss on these financial instruments is the positive difference between the acquisition cost of the instruments (net of any principal repayment in the case of debt instruments) and their fair value less any impairment loss previously recognised in the consolidated income statement.

When there is objective evidence that the losses arising on measurement of these assets are due to impairment, they are removed from the consolidated equity item "Items that can be subsequently reclassified to profit and loss for the period – Available-for-sale financial assets" and are recognised, for their cumulative amount at the date of measurement under "Impairment losses and gains (losses) on disposal of financial instruments" in the consolidated income statement. If, in a subsequent period, the impairment loss is partially or fully reversed, the amount of the reversal is recognised in the consolidated income statement in the period in which the reversal occurs (under "Items that can be subsequently reclassified to profit and loss for the period – Available-for-sale financial assets" in the consolidated balance sheet in the case of equity instruments).

*iv. Equity instruments carried at cost*

Impairment losses on equity instruments are calculated as the positive difference between the carrying amount and the recoverable amount, where the latter is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, impairment is based on the equity of the investee (consolidated where applicable) adjusted for unrealised gains at the date of measurement.

Impairment losses are recognised in the consolidated income statement for the period in which they arise, as a direct reduction of the cost of the instrument. These losses can only be reversed subsequently if the related assets are sold.

Impairment losses on "Investments accounted for using the equity method" are estimated and recognised by the Group pursuant to the criteria described in Note 2.14.

***f) Recognition of income and expenses***

The paragraphs below summarise the most significant criteria applied by the Group in recognising income and expense:

*i. Interest income and expenses and similar items*

Interest income and expenses and similar items are generally recognised on an accrual basis using the effective interest method under "Finance income" and "Finance costs", respectively, in the consolidated income statement. Dividends received from other companies not included in the Group's scope of consolidation are recognised as income under "Finance income" in the consolidated income statement when the Group's right to receive them arises. Interest and dividends accrued prior to the acquisition date are not recognised in the consolidated income statement, and the corresponding asset is cancelled when these items are collected.

*ii. Income and expenses from provision of services*

Income and expenses from provision of services (processing and execution of orders, preparation of investment reports and financial analysis, management and administration of CISs and private equity firms, and the provision of business advisory services, search for and placement of packages in secondary markets and marketing of collective investment schemes, etc. – see Note 24), all basically comprising commissions

and similar fees, are recognised in the consolidated income statement using different criteria depending on their nature. The main fees and commissions are as follows:

- Those arising as a result of transactions and services that extend over a prolonged period of time, which are recognised over the life of the transaction or service.

  This type of income from provision of services includes that from the management and administration of CISs, the management and administration of private equity firms, discretionary portfolio management, and the provision of business advisory services and from marketing collective investment schemes is included in the balance of "Revenue – Income from provision of services" in the consolidated income statement.

  In this category of expenses, those from agency, marketing of collective investment schemes, third-party management and customer representation services are included in "Revenue – Transfers to third parties for joint execution" in the consolidated income statement.

  Within this category of income from provision of services, part the income from the management and administration of CISs is variable since the amount receivable depends on the performance of the managed investment. In these cases, the Group reviews and, if necessary, adjusts the revenue recognised for this commission when reversal is possible subsequent to initial recognition if the investment underperforms.

- Those relating to services provided in a single act, which are recognised when the single act is carried out.

  This type of income from provision of services includes securities brokerage fees, and from search for and placement of packages in secondary markets, which are recognised under "Revenue – Income from provision of services" in the consolidated income statement. The same line item includes income from provision of advisory services that depends on the success of the corresponding transaction, and income ("success commission") deriving from gains generated by the private equity firms and funds managed by the Group.

  This type of income from provision of services also includes income from preparing investment reports and financial analysis.

*iii. Non-finance income and costs and other operating income*

Income and expenses are recognised on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

***g) Property and equipment***

This line item comprises the cost of furniture, facilities, computer hardware and other property and equipment owned by the Group, all classified as "Property and equipment for own use" given its intended purpose.

Property and equipment is initially measured at acquisition cost or production cost, and subsequently reduced by any accumulated depreciation or impairment losses.

Depreciation is calculated by applying the straight-line method to the acquisition cost of the assets less their residual value.

The depreciation charge for the year is recognised under "Depreciation and amortisation" in the consolidated income statement and is basically calculated using the following depreciation rates (based on the average years of estimated useful life of the various assets):

| | Annual depreciation rate |
|---|---|
| Facilities | 10% |
| Computer hardware | 25% |
| Furniture | 10% |
| Other property and equipment | 10% |

At each balance sheet date, the Group assesses whether there are any internal or external indications that the carrying amount of an item of property or equipment exceeds its recoverable amount, in which case the asset is written down to the recoverable amount and the future depreciation charges are adjusted in proportion to the written-down carrying amount and the new remaining useful life, should it need to be reestimated.

Similarly, if there is an indication of a recovery in the value of an impaired item of property or equipment, the Group recognises the recovery of the impairment loss recognised in prior periods and adjusts the future depreciation charges accordingly. Under no circumstances may the recovery of an impairment loss on an asset increase its carrying amount above the amount at which it would have been stated if no impairment losses had been recognised in prior years.

The Group recognises any impairment losses on these assets with a charge to "Impairment losses and gains (losses) on disposal of non-current assets" in the consolidated income statement.

The estimated useful lives of the items of property and equipment for own use are reviewed at least at the end of the reporting period with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognised in the consolidated income statement in future years on the basis of the new useful lives.

Upkeep and maintenance expenses relating to property and equipment for own use are recognised as an expense in the period in which they are incurred. Conversely, costs incurred that increase capacity or efficiency or extend the useful life of the assets are capitalised as part of the cost of the related assets.

***h) Intangible assets***

*Other intangible assets*

These assets are identifiable (i.e. separable from other assets) non-monetary assets without physical substance which arise from contractual or other legal rights or which are developed internally by the Group. They are only recognised when their cost can be estimated reliably and when it is considered probable that they will generate future economic benefits.

Intangible assets are recognised initially at acquisition or production cost and subsequently measured at cost less any accumulated amortisation and impairment losses.

All the Group's assets included under "Other intangible assets" have a finite useful life and comprise software acquired for valuable consideration and the contractual rights arising from relations with customers from

acquired businesses and their lists of customers (see Note 2.14). The estimated useful lives of the items of these intangible assets are reviewed at least at the end of the reporting period with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the amortisation charge to be recognised in the consolidated income statement in future years on the basis of the new useful lives.

These intangible assets are amortised over their finite useful life using methods similar to those used to depreciate property and equipment. The average annual amortisation rate for software is 33.33% and 10% for contractual rights arising from relations with customers from acquired businesses.

Charges for the amortisation of these assets are recognised under "Depreciation and amortisation" in the consolidated income statement.

The Group recognises any impairment losses on these assets with a charge to "Impairment losses and gains (losses) on disposal of non-current assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are similar to those used for property and equipment (see Note 2 g)).

*Goodwill*

Goodwill represents advance payments made by the acquirer for future economic benefits arising from the assets that are not individually and separately identifiable and recognisable. It is calculated as the difference between the fair value of the assets acquired and liabilities assumed and the cost of the business combination, both at the acquisition date.

Goodwill is assigned to one or more cash-generating units that are expected to benefit from synergies deriving from the business combination. Cash generating units are the smallest identifiable groups of assets that generate cash inflows for the Group that are largely independent of the cash inflows generated from other assets or groups of assets of the Group. Each unit or units to which goodwill is assigned:

- Represents the lowest level within the entity at which goodwill is monitored internally.
- Is not larger than an operating segment.

Cash generating units to which goodwill has been allocated are tested for impairment, with the goodwill assigned included in their carrying amount. This testing is done at least annually or whenever there are indications of impairment.

Goodwill arising upon the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree, and is translated to euros at the exchange rate prevailing on the consolidated balance sheet date.

Goodwill is never amortised but is periodically tested for impairment, and written down if there is any evidence thereof.

Impairment of a cash-generating unit to which goodwill has been assigned is determined by comparing the unit's carrying amount – adjusted by any goodwill attributable to non-controlling interests if non-controlling interests are not measured at fair value – and its recoverable amount.

A cash-generating unit's recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is calculated as the discounted value of projected future cash flows estimated by the unit's

management based on the latest available budgets for forthcoming years. The main assumptions used in the calculation are: a sustainable growth rate to extrapolate cash flows in perpetuity and a discount rate for discounting the cash flows (see Note 6). Any impairment losses are recognised under "Impairment losses and gains (losses) on disposal of non-current assets" in the consolidated income statement. Impairment losses on goodwill are not reversed in subsequent periods.

If the carrying amount of a cash generating unit is greater than its recoverable amount, the Group recognises an impairment loss. The impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the unit and, second, if losses remain to be allocated, to reduce the carrying amount of the other assets of the unit; with any remaining loss being assigned in proportion to the carrying amount of each of the assets of the unit. If the option of measuring non-controlling interests at fair value has been applied, there will be recognised the impairment of the goodwill attributable to those non-controlling interests.

***i) Accounting for operating leases***

In operating leases, the ownership of the leased asset and substantially all the risks and rewards of ownership are retained by the lessor.

When the Group acts as lessee, lease expenses, including any incentives granted by the lessor, are charged to "Other operating expenses" in the consolidated income statement on a straight-line basis (Note 26).

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment, which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

***j) Tax assets and liabilities***

"Deferred tax assets", "Deferred tax liabilities" and "Trade and other receivables – Current tax assets" and "Trade and other payables – Current tax liabilities" in the consolidated balance sheet include the amount of all corporate income tax assets and liabilities, which are classified where applicable as: "current" (balances receivable or payable for tax within the next 12 months) and "deferred" (balances receivable or payable for tax in future years including, as the case may be, those arising from tax loss carryforwards or unused tax credit or deductions).

***k) Current and non-current assets and liabilities***

Current assets are those that the Group intends to sell, consume or realise during the normal operating cycle, and those that are expected to mature, be disposed of or realised within twelve months of the reporting period; or are cash or cash equivalents. All other assets are classified as non-current.

Current liabilities comprise any obligations related with the normal operating cycle that the Group intends to settle during said cycle, and those that are expected to mature or expire within twelve months of the reporting period. They include salaries payable. All other liabilities are classified as non-current.

***l) Other non-current assets and liabilities***

"Other current assets" and "Other non-current assets" in the consolidated balance sheet comprise the balance of assets not recognised under other line items, and include advances and loans to personnel and other assets.

"Other current liabilities" and "Other non-current liabilities" in the consolidated balance sheet comprise the balance of payables not included in other categories.

These balances include all prepayments and accrued income and accrued expenses and deferred income, with the exception of accrued interest which is recognised in the line items including the financial instruments giving rise to the corresponding interest balances. They are also classified as "current" and "non-current" as per the criteria described in point k) of this note.

***m) Own equity instruments***

An equity instrument represents a residual interest in the assets of the Company after deducting all of its liabilities. Own equity instruments are only those that meet the following conditions:

- The instrument includes no contractual obligation for the issuer that requires it: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

- If the instrument will or may be settled in the issuer's own equity instruments, it is: (i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or (ii) a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Gains or losses on trading in own equity instruments, including issuance and cancellation of these instruments, are recognised directly against equity. Any costs incurred in transactions involving own equity instruments are charged against equity after deducting any related tax incentives.

The changes in value of own equity instruments are not recognised in the financial statements. The considerations received or delivered in exchange for these instruments are directly included in or deducted from consolidated equity.

***n) Assets under management***

Assets managed by the Group that are owned by third parties are not recognised in the consolidated balance sheet. Income from such activity is recognised under "Revenue" in the consolidated income statement (see Note 24).

***o) Personnel expenses***

*Pension plan and other post-employment commitments*

The Group had no material pension plan commitments with its staff at the 2016 and 2015 reporting closes.

*Termination benefits*

Under current Spanish legislation, the Group is required to pay termination benefits to employees whose employment is terminated when certain conditions are met. Compensation paid to employees laid off in 2016 and 2015 is recognised under "Personnel expenses" in the consolidated income statement (see Note 25). The Company's directors considered that at 31 December 2016, there were no reasons for booking an additional provision for such commitments at said dates.

*p) Income tax*

Income tax expenses or income tax rebates include both current and deferred tax expense or income, and are recognised under "Income tax" on the consolidated income statement.

A temporary difference exists when there is a difference between the carrying amount of an asset or liability and its tax base. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Group to make a payment to the related tax authorities. A deductible temporary difference is one that will generate a right for the Group to a rebate or a reduction in the tax charge in the future.

Tax credits and deductions and tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met, and the Group considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within 12 months from the date they are recognised. Deferred tax assets and liabilities are amounts of income tax expected to be recoverable or payable, respectively, in future periods.

Deferred tax liabilities are recognised for all significant taxable temporary differences. Deferred tax assets arising from deductible temporary differences and from tax credits and rebates and tax loss carryforwards are only recognised when it is deemed probable that the Group will generate future taxable profits against which these assets may be utilised.

Deferred tax assets and liabilities are not recognised in connection with the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit (loss) nor taxable profit (tax loss).

The deferred tax assets and liabilities recognised are reassessed each year in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Article 7 of Act 16/2012 of 27 December, adopting various tax measures aimed at consolidating public finances and boosting economic activity, establishes that depreciation and amortisation of property and equipment, intangible assets and investment property for the tax periods beginning in 2013 and 2014 for those entities that, in those years, did not meet the requirements established in sections 1, 2 or 3 of Article 108 of the Consolidated Spanish Corporate Tax Act (approved by Royal Decree-Law 4/2004 of 5 March) will be deducted from the tax base up to 70% of that which would have been tax deductible if this percentage had not been applied, pursuant to sections 1 and 4 of Article 11 of this act. Any depreciation or amortisation charges that are not tax deductible pursuant to this article will be deducted on a straight-line basis over 10 years or, optionally, over the useful life of the asset as from the first tax period beginning in 2015. Moreover, Additional Transitional Provision 37 of Corporate Tax Act 27/2014 of 27 November, establishes that taxpayers subject to the tax rate stipulated in section 1 of Article 29 of said act and to whom the limit on tax-deductible depreciation and amortisation charge set forth in Article 7 of Act 16/2012 of 27 December, applies will be entitled to deduct from the tax liability 5% of the amounts in the tax base (2% in the tax periods beginning in 2015) deriving from depreciation and amortisation charges not deducted in the tax periods commencing in 2013 and 2014.

Article 13.2 of Spanish Corporate Tax Act 27/2014 of 27 November provides that impairment losses on property, plant and equipment, on investment property, on intangible assets (including goodwill), on securities representing a share of the capital or equity of entities and on debt securities are not considered tax

deductible expenses. In this respect, Transitional Provision 15 of Corporate Tax Act 27/2014 of 27 November provides that the reversal of impairment losses on property, plant and equipment, investment property, intangible assets and debt securities that were considered tax deductible in tax periods begun prior to 1 January 2015 will be included in the Corporate Tax base for the tax period in which their value is recovered for accounting purposes; and Transitional Provision 16 of said Corporate Tax Act provides that the reversal of impairment losses on securities representing a share of the capital or equity of entities that were taken as tax deductible in the Corporate Tax base in tax periods begun prior to 1 January 2013 (in accordance with the provisions of the then prevailing Royal Decree 4/2004 of 5 March which approved the revised text of the Corporate Tax Act), irrespective of their accounting allocation in the income statement, will be included in the tax base for the period in which the value of equity at year-end exceeds the value at the start of the year, in proportion to their share, taking into account the contributions or returns of contributions made therein, and limited by said excess. For these purposes, the positive difference between the value of equity at the end and start of the year, on the terms of this paragraph, will be understood to correspond, first, to impairment losses that have been taken as tax deductible.

Nevertheless, Royal Decree Law 3/2016 of 2 December, which adopted tax measures aimed at strengthening public finances and other urgent social measures, provides that, in all cases, the reversal of impairment losses on securities representing a share of the capital or equity of entities that were tax deductible in the Corporate Tax base in tax periods begun prior to 1 January 2013, will be included, at least, in equal parts in the tax base for each of the five tax periods begun on or after 1 January 2016.

The Spanish Corporate Tax Act 27/2014 of 27 November, introduces, *inter alia*, a reduction in the corporate tax rate over two years, which stood at 30% until 31 December 2014. This rate is set at 28% and 25% for the years starting on 1 January 2015 and 1 January 2016, respectively. At year-end 2014, the Company's directors therefore adjusted deferred tax assets according to the estimated date on which they would be offset. Meanwhile, at year-end 2015, the directors adjusted any deferred tax assets generated during said reporting period and the estimate made at year-end 2014 (see Note 19).

Lastly, Article 16 of Corporate Tax Act 27/2014 of 27 November provides that net financial expenses will be deductible up to the limit of 30 percent of operating profit for the year (within the meaning given in said article). In any event, net financial expenses of €1 million will be deductible for the tax period.

As a result of the takeover described in Note 1, at its meeting on the 22 July 2015 the Company's Board of Directors resolved that the Company would file consolidated tax returns with the Alantra Group of which it is parent (see Note 19), and comprising the companies in which it holds an indirect stake (Alantra Corporate Finance, S.A.U., Mercapital Private Equity, S.G.E.I.C., S.A.U., Partilonia Administración, S.L.U., Mideslonia Administración, S.L.U., Paulonia Servicios de Gestión, S.L.U., Flenox, S.L.U., Alantra Private Equity Advisor, S.A.U., Alantra Private Equity Servicios, S.L.U., and Alantra Capital Privado, S.G.E.I.C., S.A.U.); and those in which it holds a direct stake (Alantra Reim, S.L.U., Alantra International Corporate Advisory, S.L., Alantra Equity and Credit Management, S.A.U., Alantra Infrastructure, S.L.U., Alantra Asset Management, S.G.I.I.C., S.A.U., Alantra Debt Solutions, S.L., Alantra Investment Managers, S.L.U., Alantra Capital Markets, S.V., S.A.U., and Alantra Dinamia Portfolio II, S.L.U.)

Further, as a result of the aforementioned merger, at its meeting on 22 July 2015 the Company's Board of Directors agreed to file VAT returns under the special regime for the new tax group of which it is parent (see Note 19), and which at 31 December 2016 includes both the indirect investees Alantra Corporate Finance, S.A.U., Mercapital Private Equity, S.G.E.I.C., S.A.U., Partilonia Administración, S.L.U., Mideslonia Administración, S.L.U., Paulonia Servicios de Gestión, S.L.U., Flenox, S.L.U., Alantra Private Equity Advisor, S.A.U., Alantra Private Equity Servicios, S.L.U., Alantra Capital Privado, S.G.E.I.C., S.A.U. and Alantra Corporate Portfolio Advisors, S.L., and the direct investees Alantra Reim, S.L.U., Alantra International Corporate Advisory, S.L., Alantra Equity and Credit Management, S.A.U., Alantra Infrastructure, S.L.U., Alantra Asset Management, S.G.I.I.C., S.A.U., Alantra Debt Solutions, S.L., Alantra Investment Managers, S.L.U., Alantra Capital Markets, S.V., S.A.U. y Alantra Equities, S.V., S.A. Furthermore, as a result of the

acquisition of the additional 27.01% of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. described in Note 2.14, the Boards of Directors of the companies resolved to join the special regime of the aforesaid VAT Group. That decision will have effect as from the transactions the tax on which accrues as from 1 January 2017.

The Company filed individual tax returns prior to the Merger described in Note 1 because it did not pertain to a group.

***q) Consolidated statement of cash flows***

The following terms are used in the consolidated statement of cash flows:

- Cash flows: inflows and outflows of cash and cash equivalents, which are considered current, highly liquid investments that have little risk of changing in value.

- Operating activities: the principal revenue-producing activities of the Group, and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group provided these are not operating activities.

In preparing the consolidated statements of cash flows, "Cash and cash equivalents" were considered to be short-term, highly liquid investments that are subject to an insignificant risk of changes in value. The Group therefore classifies the balances of current accounts and any time deposits or those concerning reverse repurchase agreements under "Cash and cash equivalents" on the assets side of the consolidated balance sheet (see Note 13). Cash deriving from the Company when the Merger took place amounting to €35,818 thousand was therefore recognised under "Cash flows from (used in) investing activities – Other cash received from (paid on) investing activities" in the aforementioned consolidated statement of cash flows of 2015 (see Note 1).

***r) Consolidated statement of recognised income and expense***

The consolidated statement of recognised income and expense presents the income and expenses generated by the Group as a result of its business activity in the year. A distinction is made between income and expenses recognised in the consolidated income statement, on one hand, and, on the other, income and expenses recognised directly in consolidated equity pursuant to prevailing laws and regulations.

Accordingly, this statement presents:

a) The consolidated profit or loss for the year.

b) Net income and expense recognised temporarily in consolidated equity as valuation adjustments (and therefore subsequently taken to profit and loss for the period).

c) Net income and expense recognised definitively in consolidated equity (and therefore not subsequently taken to profit and loss for the period).

d) The income tax incurred in respect of the items indicated in b) and c) above.

e) Total recognised income and expense, calculated as the sum of all of the above (total comprehensive income for the year).

Changes in income and expense recognised in consolidated equity as available-for-sale financial assets, exchange differences or share in other comprehensive income from investments in joint ventures and associates, as well as other income and expenses are broken down into:

a) Valuation gains (losses): includes the amount of income, net of expenses incurred in the year, recognised directly in consolidated equity.

b) Amounts transferred to income statement: includes the amount of the revaluation gains and losses previously recognised in equity, albeit in the same year, which are recognised in the consolidated income statement.

c) Other reclassifications: includes, where applicable, the amount of the transfers made in the year between line items in accordance with current regulations.

The amounts of these items are presented gross and the related tax effect is recognised under "Income tax", except for amounts relating to entities accounted for using the equity method which are presented net of the tax effect.

***s) Consolidated statement of total changes in equity***

The consolidated statement of total changes in equity presents all the changes in consolidated equity, including any arising from changes in accounting policies and from the correction of errors. This statement accordingly presents a reconciliation between the carrying amount of each component of consolidated equity at the beginning and the end of the period, grouping changes into the following headings according to their nature:

a) Adjustments for changes in accounting criteria and restatements to correct errors: include the changes in consolidated equity arising as a result of the retrospective adjustments and restatements of the balances in the consolidated financial statements due to changes in accounting policies or to the correction of errors.

b) Total recognised income and expense: includes, in aggregate form, the total of the aforementioned items recognised in the consolidated statement of recognised income and expense.

c) Transactions with shareholders and owners: includes any items recognised in relation to capital increases and decreases, dividend pay-outs, transactions with treasury shares and own equity instruments, and other transactions with shareholders and owners.

d) Other changes in equity: includes the remaining items recognised in consolidated equity, including allocations of profit, equity-instrument-based payments, transfers between consolidated equity items, and any other increases or decreases in consolidated equity.

***t) Foreign currency transactions***

The Group's functional currency and presentation currency in its consolidated financial statements is the euro. Therefore, transactions in currencies other than the euro are deemed to be foreign currency transactions and are recognised by applying the exchange rates prevailing at the date of the transaction.

Balances in foreign currencies are translated to euros in two consecutive phases:

- Translation of foreign currency to the functional currency (currency of the primary economic environment in which the entity operates) and

- Translation to euros of the aforesaid balances in the functional currencies of the entities with a non-euro functional currency.

Exchange differences arising on translating foreign currency balances into the functional currency are generally recognised at their net value in the consolidated income statement under "Exchange differences". As an exception to this rule, exchange differences affecting the value of financial instruments measured at fair value through profit or loss are recognised in the consolidated income statement together with all other changes that may affect the fair value of the instrument, and exchange differences affecting exchange differences arising on non-monetary items measured at fair value through equity under "Items that can be subsequently reclassified to profit and loss for the period – Translation differences" in the consolidated balances sheet. Also, the exchange differences arising in financial instruments classified as available for sale are recorded under "Items that can be subsequently reclassified to profit and loss for the period – Available-for-sale financial assets" in the consolidated balance sheet, without differentiating them from the rest of the changes that may be recorded in their fair value.

At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses, where applicable, are recognised directly in the consolidated income statement in the year in which they arise.

The exchange rates used by the Company in translating the foreign currency balances to euros for the purpose of preparing the financial statements, taking into account the criteria mentioned above, were the official rates published by the European Central Bank.

In 2016, the Group held cash in foreign currencies (i.e. currencies other than the functional currency of each company at individual level). In addition, in 2016 the Group granted loans to the former shareholders of Downer & Company, LLC (see Note 9.3) in foreign currency and held other assets and liabilities in foreign currency. Those items generated, fundamentally, a net positive gain of €177 thousand (€159 thousand de in gains in 2015). That amount is recorded under "Exchange differences" in the 2016 consolidated income statement.

*Translation of financial statements denominated in foreign currencies*

The financial statements of subsidiaries with a functional currency other than the presentation currency (the euro) were translated to euros as follows:

- The assets and liabilities in their balance sheets were translated at the exchange rates prevailing at the end of the reporting period.

- Equity items were translated at historical exchange rates.

- Income statement items and the corresponding reserves were translated at the cumulative average exchange rates for the period in which they arose. Pursuant to that policy, the Group considers that during the year there were significant variations in exchange rates which, due to their relevance for the accounts as a whole, required application of the exchange rate prevailing at the transaction date instead of the aforesaid average exchange rates.

- Any resulting exchange differences were recognised as a separate component of equity under "Items that can be subsequently reclassified to profit and loss for the period – Translation differences" or "Non-controlling interests".

When control, joint control or a significant influence over a company with a functional currency other than the euro is lost, the translation differences recognised as a component of equity relating to that company are recognised in profit or loss at the same time as the gain or loss on the disposal is recognised. If the investee with a functional currency other than the euro is a jointly-controlled entity or associate and it is partially disposed of, without giving rise to a change in its classification as an investee or the jointly-controlled entity becomes an associate, only the proportional part of the translation differences is recognised in profit or loss. If an ownership interest in a subsidiary with these characteristics is disposed of without losing control over said company, this proportional part of the cumulative translation difference is attributed to the share of non-controlling interests.

The following table gives an itemisation at 31 December 2016 and 2015 of the countervalue in thousands of euros of the main assets and liabilities balances of the consolidated balance sheet (no significant liabilities balance in the consolidated balance sheet at 31 December 2015) held by the Group in foreign currency (mainly in pounds sterling and United States dollars):

| | Equivalent value in thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Intangible Assets – Goodwill (Note 6) | 25,814 | - |
| Investments accounted for using the equity method (Note 8) | 15,755 | 10,872 |
| Non-current financial assets (Note 9) | 7,588 | 9,035 |
| Trade and other receivables – Trade receivables (Note 10) | 1,535 | 566 |
| Cash and cash equivalents – Current accounts (Note 13) | 9,267 | 11,802 |
| Non-current financial liabilities (Note 17) | 5,826 | - |
| Current financial liabilities (Note 17) | 1,186 | - |
| Trade and other payables – Suppliers | 49 | - |
| | **67,020** | **32,275** |

The functional currency of the equity-accounted companies Nplus1 Singer Ltd, Alantra AG and Landmark Capital, S.A. is the Pound sterling, Chilean peso and Swiss franc, respectively. Also the functional currency of the fully-consolidated companies Alantra, LLC, N+1 US Corporation, LLC and EQMC GP, LLC is the US Dollar. Finally the functional currency of the fully-consolidated companies Nmás1 Chile SPA and Alantra Nordics, AB is the Chilean peso and Swedish Krona, respectively.

The effect of translating values in the functional currencies of the foreign companies to the Company's functional currency is recognised under "Items that can subsequently be reclassified to profit and loss for the period – Translation differences". The breakdown of this line item by company at 31 December 2016 and 2015 is as follows:

| | Currency | Thousands of euros | |
|---|---|---|---|
| | | 31/12/2016 | 31/12/2015 |
| Nplus1 Singer Ltd (1) | Pound sterling | (382) | 711 |
| Alantra AG (1) | Swiss franc | 32 | 20 |
| N+1 REIM UK LLP | Pound sterling | - | 130 |
| N+1 US Corporation, LLC (3) | US Dollar | 1,116 | - |
| Nmás1 Chile SPA (4) | Chilean Peso | 49 | - |
| EQMC GP, LLC | US Dollar | (1) | - |
| Alantra Nordics, AB | Swedish Krona | (5) | - |
| | | **809** | **861** |

(1) Companies consolidated using the equity method (see Note 2.14)

(2) Company sold during 2016.

(3) Includes effect of unifying treatment of consolidated Alantra, LLC

(4) Includes the effect of unifying treatment of consolidated Landmark Capital, S.A., which is consolidated by equity method.

### *u) Related-party transactions*

Related-party transactions are those carried out with Group companies and entities or individuals meeting the requirements set forth in IAS 24.

The Group carries out all transactions with related parties at arm's length.

### *v) Provisions and contingencies*

In preparing the consolidated financial statements, the Company's directors distinguish between:

a) Provisions: balances payable for an amount that is estimated to cover present obligations, arising from past events, whose nature is clearly specified but of uncertain timing or amount, the settlement of which is expected to result in an outflow of resources embodying economic benefits. These obligations may arise as a result of:

- A legal or contractual obligation.

- A tacit or implicit obligation deriving from the creation by the Group of a valid expectation on the part of third parties with regard to its discharge of certain responsibilities. These expectations are created when the Group publicly accepts certain responsibilities or by means of an established pattern of past behaviour or published policies.

- The virtually certain trend in regulation in certain aspects, specifically draft legislation which the Group will certainly be bound by.

Over the ordinary course of its operations, the Group is subject to the supervision of competent regulatory bodies. The Company's directors do not expect any matters to arise as a result of the actions of these bodies that would have a significant impact on the accompanying consolidated financial statements.

Provisions are quantified using the best information available regarding the consequences of the obligating event and are re-estimated at each reporting date, taking into account the financial effect if significant. The same provisions are applied to meet the specific obligations for which they were initially recognised and are reversed, totally or partially, whenever said obligations disappear. They are recognised under "Non-current provisions" and "Current provisions" in the consolidated balance sheet according to their nature.

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. They include present obligations whose settlement is not likely to generate an outflow of cash resources embodying economic benefits or whose amount cannot be quantified in a sufficiently reliable manner.

c) Contingent assets: possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Group. Contingent assets are not recognised in either the consolidated balance sheet or the consolidated income statement, but their existence is disclosed in the accompanying notes wherever it is deemed probable that they will give rise to an inflow of resources embodying economic benefits.

Contingent liabilities are recognised neither in the consolidated balance sheet nor in the consolidated income statement (except for those recorded in a business combination), but are disclosed in the consolidated financial statements.

At the end of 2016, no lawsuits or claims had been filed against the Company or Group companies arising from their normal business.

***w) Business combinations***

The acquisition by the parent of control over a subsidiary constitutes a business combination and is accounted for using the acquisition method. In subsequent consolidations, the elimination of the investment in, or net assets of, these subsidiaries is carried out, as a general rule, on the basis of the amounts resulting from the use of the acquisition method on the date control was obtained. Thus, the acquisition date is determined and the cost of the business combination calculated, recognising the identifiable assets acquired and liabilities assumed at their fair value on said date.

The cost of the business combination is the sum of:

- The acquisition-date fair values of any assets transferred, liabilities incurred or assumed and equity instruments issued, and

- The fair value of any contingent consideration that depends on future events or on compliance with certain pre-established conditions.

The cost of the business combination does not include expenses relating to the issue of equity instruments offered or financial liabilities delivered in exchange for the items acquired.

Lawyers' fees and fees for other professional services related to the combination, in addition to expenses generated internally in this connection, are also excluded from the cost of the combination. These amounts are taken directly to consolidated profit and loss.

In a business combination achieved in stages, goodwill or negative goodwill on any previously held equity interest prior to the acquisition date (the date on which it gains control) is the difference between:

- The cost of the business combination plus the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and

- The value of the identifiable assets acquired less the liabilities undertaken, determined in the manner described above.

The acquirer will also recognise an asset in the consolidated balance sheet under "Intangible assets – Goodwill" if on the acquisition date there is a positive difference between:

- i) The sum of the price paid plus the amount of all non-controlling interests, plus the fair value of any previously held equity interest in the acquiree; and

- ii) The fair value of the assets acquired and liabilities assumed.

In the exceptional case that the difference arising in the business combination is negative, it is recognised as income in the consolidated income statement (see Note 1).

Any gain or loss arising from measurement at fair value at the date control of the investee is obtained is recognised in the consolidated income statement. If the equity interest had been measured previously at fair value, any changes in fair value not recognised in profit or loss for the year are transferred to the consolidated income statement. The cost of the business combination is presumed to be the best estimate of acquisition-date fair value of any previously held equity interest (see Note 2.14).

If the measurement procedures of a business combination necessary to apply the acquisition method explained above are incomplete by the end of the reporting period, the acquirer will report the provisional amounts. The acquirer may adjust the provisional amounts recognised during the period necessary to obtain the required information. This period will not exceed one year. The effects of the adjustments made in this period are accounted for retrospectively, also adjusting the comparative information retrospectively if necessary.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration was classified as equity, in which case, subsequent changes in its fair value are not recognised.

***x) Segment reporting***

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's most senior operating decision-maker (Board of Directors) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment reporting as per applicable standards (IFRS 8) for the main business units, geographies and main customers is provided in Note 28.

## 4. Distribution of the Company's profit

***a) Distribution of the Company's profit***

At the General Meeting on 27 April 2016, shareholders approved the proposed distribution of the Company's profit for the year ended 31 December 2015.

The proposed distribution of the Company's 2016 profit that the Board of Directors will bring before the General Meeting for approval is shown below, together with the proposal approved for 2015:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| **Basis of distribution:** | | |
| Net profit for the year | 2,277 | 61,756 |
| **Distribution:** | | |
| Legal reserve | 1,120 | 20,145 |
| Interim dividends – | | |
| Approved prior to year-end | - | 2,855 |
| Other reserves | 1,157 | 38,756 |
| | **2,277** | **61,756** |

At its meeting on 22 January 2015, N+1 IBG's Board of Directors resolved to distribute an interim dividend of €2,855 thousand against 2015 profit, which was paid in 2015.

On 20 June 2015 and prior to the date of the Merger, the Company's Board of Directors agreed to distribute an interim dividend of €5,160 thousand with a charge to 2015 profit, which was paid in 2015.

***b) Earnings per share***

*i. Basic earnings per share*

The Group's basic earnings per share is calculated by dividing its net profit for a specific period by the weighted average number of shares outstanding during said period, excluding the average number of treasury shares held in the period.

| Accordingly: | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Net profit for the year attributable to the parent | 25,055 | 65,686 |
| Weighted average number of shares outstanding | 33,778,951.76 | 27,321,403.34 |
| Conversion of convertible debt | - | - |
| Adjusted number of shares | 33,778,951.76 | 27,321,403.34 |
| **Basic earnings per share (euros)** | **0.74** | **2.40** |

*ii. Diluted earnings per share*

The Group's diluted earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders, adjusted for the effects of dilutive potential ordinary shares and the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Company.

The diluted earnings per share would therefore be:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Net profit for the year attributable to the parent | 25,055 | 65,686 |
| Adjusted number of shares | 34,623,025.97 | 27,321,403.34 |
| **Basic earnings per share (euros)** | **0.72** | **2.40** |

The consideration agreed in the Company's acquisition of 26,742 shares of Downer & Company, LLC representing 35.66% of the share capital of Downer & Company LLC (see Note 2.14) consisted in delivery by the Company of 1,262,652 shares. Accordingly, the adjusted number of shares has been calculated taking into consideration the capital increase the Company had to carry out to deliver said shares and which the Company's General Meeting eventually approved on 13 December 2016.

## 5. Remuneration and other benefits to the Company's Board of Directors and Key Management Personnel

### *5.1 Remuneration of the Board of Directors*

As per the Company's Bylaws, board members will be remunerated as follows for performing their duties as such:

- A fixed annual fee; and
- *Per diems* for attending meetings of the Board of Directors and the Board committees on which they serve.

On approval by shareholders at the General Meeting, board remuneration can consist of the delivery of shares or share options. At the General Meeting, shareholders will, where applicable, set the maximum number of shares that can be assigned each year, the price or system for calculating the strike price of the options, or the value of the shares that may be used as a reference, and the duration of the plan. This method of remuneration has not been used to date.

Each board member's remuneration for serving on the Board will be determined by the Board of Directors taking into account his/her duties and responsibilities, positions held on board committees and other relevant objective factors.

An individual breakdown of the remuneration of the Company's board members, showing fixed pay and *per diems* for attending the meetings of the Board and board committees in 2016 and 2015 is as follows:

| Board member | Type of director | Euros | | | |
|---|---|---|---|---|---|
| | | 2016 | | 2015 | |
| | | Fixed remuneration | *Per diem* | Fixed remuneration | *Per diem* |
| Mr. Santiago Eguidazu Mayor (1) | Executive | 54,000 | 13,500 | 27,000 | 7,500 |
| Mr. Santiago Bergareche Busquet | External | 54,000 | 10,500 | 27,000 | 61,014 |
| Mr. Alfred Merton Vinton | External | 36,000 | 12,750 | 18,000 | 33,527 |
| Mr. José Javier Carretero Manzano | Independent | 36,000 | 28,500 | 18,000 | 61,804 |
| Mr. Luis Carlos Croissier Batista (3) | Independent | 45,000 | 27,750 | 22,500 | 12,750 |
| Mr. Rafael Jiménez López | Proprietary | 36,000 | 18,750 | 18,000 | 51,730 |
| Mr. Jorge Mataix Entero (1) | Proprietary | 36,000 | 18,000 | 18,000 | 10,500 |
| Mr. José Antonio Abad Zorrilla (1) | Proprietary | 36,000 | 18,750 | 18,000 | 9,750 |
| Mr. Emilio Carvajal y Ballester (2) | Proprietary | - | - | - | 31,216 |
| Mr. Joaquín García-Quirós Rodríguez (2) | Proprietary | - | - | - | 2,230 |
| Mr. Fernando D'Ornellas Silva (2) | Independent | - | - | - | 49,054 |
| Mr. Nicolás Villén Jiménez (2) | Independent | - | - | - | 49,054 |
| Ms. María Luisa Garaña Corces (4) | Independent | 36,000 | 15,000 | - | - |
| Subtotal | | 369,000 | 163,500 | 166,500 | 380,129 |
| Total | | **532,500** | | **546,629** | |

(1) At the 29 April 2015 General Meeting, the Company's shareholders approved a reshuffle of the Company's Board of Directors as a result of the Merger described in Note 1. It was resolved that Mr. Santiago Eguidazu Mayor, Mr. Jorge Mataix Entero and Mr. José Antonio Abad Zorrilla would be appointed as from the date on which the Merger took effect.

(2) Mr. Joaquín García-Quirós Rodríguez, Mr. Emilio Carvajal y Ballester, Mr. Nicolás Villén Jiménez and Mr. Fernando D'Ornellas Silva stood down as board members on 26 February 2015, 18 June 2015, 29 June 2015 and 22 July 2015, respectively.

(3) Mr. Luis Carlos Croissier Batista was appointed by co-option as one of the Company's board members on 22 July 2015. His position as a member of the Board of Directors was also ratified by shareholders at the 17 December 2015 General Meeting.

(4) The appointment of Ms. María Luisa Garaña Corces as a member of the Company's Board of Directors was approved by shareholders at the 17 December 2015 General Meeting.

Furthermore, in 2016 the Board of Directors approved additional remuneration for Mr. Luis Carlos Croissier Batista, Mr. José Javier Carretero Manzano and Mr. Alfred Merton Vinton of €100 thousand, €100 thousand and €30 thousand, respectively, for their special dedication during the year to the functions of their directorships.

At year-end 2016 and 2015, the number of directors of Alantra Partners, S.A. was nine in both years, eight men and one woman.

The amount accrued in this respect was €763 thousand in 2016, recorded under "Other operating expenses" in the 2016 consolidated income statement (see Note 26). At 31 December 2016, some €361 thousand were pending payment in this respect, which are included under "Trade and other payables – Other payables" on the liabilities side of the consolidated balance sheet (see Note 18).

Remuneration for the 2015 third and fourth quarters of €245 thousand were recognised at 31 December 2015 under "Other operating expenses" in the consolidated income statement (see Note 26). This heading also included €5 thousand of remuneration paid to one of N Más Uno IBG's board members accrued in the first quarter of the year. Remuneration of the Company's board members accrued during the first two quarters of 2015 is recognised in the pre-merger income statement of Dinamia Capital Privado, Sociedad de Capital Riesgo,

S.A. At 31 December 2015, €118 thousand of remuneration was payable and recognised under "Trade and other payables – Other payables" on the liabilities side of the consolidated balance sheet (see Note 18).

In 2016, €520 thousand was effectively paid for this concept (€132 thousand in 2015). Also, in 2015, remuneration of €302 thousand for the first two quarters of the year recognised in the pre-merger income statement of Dinamia Capital Privado, Sociedad de Capital Riesgo, S.A. was paid prior to the Merger.

At 31 December 2016 and 2015, no loans or advances had been granted to the Company's serving and former board members, and no guarantee obligations or pension or life insurance commitments had been assumed on their behalf.

In 2016, the Company recorded €17 thousand under "Other operating expenses" in the 2016 consolidated income statement in respect of the premiums paid for civil liability insurance covering damages caused by acts or omissions of Directors.

**Board members' ownership interests in the Company**

Pursuant to Act 26/2003 of 17 July, amending Securities Market Act 24/1988 of 28 July, and the Corporate Enterprises Act, the Company is required to disclose any ownership interests in the Company held by the board members of Nmás1 Dinamia, S.A. (formerly Dinamia Capital Privado, Sociedad de Capital Riesgo, S.A.).

A breakdown of the ownership interests in the Company of members of the Board of Directors at 31 December 2016 and 2015 is as follows:

| | 31/12/2016 (2) | | | | 31/12/2015 (3) | | | |
|---|---|---|---|---|---|---|---|---|
| | Total shares | Percentage ownership interest | Direct | Indirect | Total shares | Percentage ownership interest | Direct | Indirect |
| Mr. Santiago Eguidazu Mayor | 6,732,380 | 18.94% | 660,209 | 6,072,171 | 6,712,380 | 19.94% | 660,209 | 6,052,171 |
| Mr. Santiago Bergareche Busquet | 9,251 | 0.03% | 4,522 | 4,729 | 9,251 | 0.03% | 4,522 | 4,729 |
| Mr. Alfred Merton Vinton | - | 0.00% | - | - | - | - | - | - |
| Mr. José Javier Carretero Manzano | 10,000 | 0.03% | 10,000 | - | 1,000 | 0.00% | 1,000 | - |
| Mr. Luis Carlos Croissier Batista | - | 0.00% | - | - | - | - | - | - |
| Mr. Rafael Jiménez López | 510 | 0.00% | 510 | - | 510 | 0.00% | 510 | - |
| Mr. Jorge Mataix Entero | 2,754,780 | 7.75% | 360,038 | 2,394,742 | 2,754,780 | 8.18% | 440,038 | 2,314,742 |
| Mr. José Antonio Abad Zorrilla | 2,766,466 | 7.78% | 340,038 | 2,426,428 | 2,754,780 | 8.18% | 440,038 | 2,314,742 |
| Ms. María Luisa Garaña Corces | - | 0.00% | - | - | - | - | - | - |
| **Total** | **12,273,387** | **34.53%** | **1,375,317** | **10,898,070** | **12,232,701** | **36.33%** | **1,546,317** | **10,686,384** |

(1) At 31 December 2015, the Company's capital was represented by 33,670,184 shares.

(2) At 31 December 2016, the Company's capital was represented by 35,536,960 shares.

In relation to Mr. Santiago Eguidazu Mayor's shares, as a professional shareholder his swap shares are subject to a 4-year lock-up reckoned from the date of the Merger's entry in the Companies Registry. In relation to the shares of Mr. Jose Antonio Abad Zorrilla and Mr. Jorge Mataix Entero, as external senior shareholders their swap shares were subject to an 18-month lock-up reckoned from date the Merger was registered in the Companies Registry.

### *5.2. Remuneration of Key Management Personnel and members of the Board of Directors as directors of the Group*

At 31 December 2016 and 2015, the Group had five senior managers (not including the executive director). Based on this figure, total remuneration to key management personnel in 2016 was €4,149 thousand; recognised under "Personnel expenses – Wages, salaries and similar expenses" in the consolidated income statement (€2,813 thousand at 31 December 2015) (see Note 25). At 31 December 2016, €2,820 thousand was payable for this concept and recognised under "Trade and other payables – Other payables" on the liabilities side of the consolidated balance sheet (31 December 2015: €2,037 thousand) (see Note 18). An amount of €3,366 thousand was effectively paid in this connection in 2016.

The Board chairman, Mr. Santiago Eguidazu Mayor, accrued €300 thousand fixed remuneration and a €1,500 thousand bonus in 2016 for serving as executive director, which was approved by the Board of Directors on the recommendation of the Appointments and Remuneration Committee (2015: €300 thousand fixed, and €1,206 thousand bonus). At 31 December 2016, €1,575 thousand was payable for this concept and recognised under "Trade and other payables – Other payables" on the liabilities side of the consolidated balance sheet (31

December 2015: €1,281 thousand) (see Note 18). An amount of €1,506 thousand was effectively paid in this connection in 2016 (31 December 2015: €1,244 thousand). At the date of preparation of the accompanying consolidated financial statements, €975 had been paid.

This bonus has two components: i) a quantitative component (requiring the approval of the Company's audit committee) equivalent to 3.2% (2.85% in 2015) of the Company's pre-tax profit, excluding the result of operations or accounting adjustments not realised in cash or cash equivalents, which the Company's Audit Committee is required to verify; and ii) a qualitative component calculated according to criteria, indicators and/or parameters determined annually by the Appointments and Remuneration Committee.

At 31 December 2016 and 2015, no loans or advances had been granted to the Company's serving and former key management personnel, and no guarantee obligations or pension or life insurance commitments had been assumed on their behalf.

**Information regarding directors' conflicts of interest**

At year-end 2016, none of the Company's directors had reported to the Board of Directors any situation of direct or indirect conflicts between the interests of the Company and their own or those of related parties.

## 6. Intangible assets

### *a) Goodwill*

At 31 December 2016 and 2015, "Intangible assets – Goodwill" on the assets side of the consolidated balance sheet included goodwill generated from the acquisition of shares conferring control of the following companies:

| | Year control taken | Thousands of euros | |
|---|---|---|---|
| | | 31/12/2016 | 31/12/2015 |
| **By investee:** | | | |
| Alantra Equities, Sociedad de Valores, S.A. | 2010 | 2,999 | 2,999 |
| Alantra Deutschland GmbH | 2013 | 416 | 416 |
| Alantra Investment Managers, S.L.U. | 2013 | 47 | 47 |
| Alantra Corporate Portfolio Advisors, S.L. | 2014 | 31 | 31 |
| N+1 France Corporate Finance, S.A.S. | 2015 | 141 | 141 |
| Alantra Nordics AB | 2016 | 100 | - |
| Másuno Portugal Corporate Finance, Unipessoal LDA | 2016 | 23 | - |
| Alantra, LLC | 2016 | 25,814 | - |
| Alantra Wealth Management | 2016 | 4,463 | - |
| | | 34,034 | 3,634 |
| **By currency:** | | | |
| Euro | | 8,220 | 3,634 |
| US dollar | | 25,814 | - |
| | | 34,034 | 3,634 |

The movement recorded in 2016 and 2015 in the balance of "Intangible assets – Goodwill" on the assets side of the consolidated balance sheet is shown below:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Balance at the beginning of the period | 3,634 | 3,493 |
| Additions | 30,400 | 141 |
| Disposals | - | - |
| **Balances at the end of the period** | **34,034** | **3,634** |

The variation in the balance of this heading in 2016 was mainly due to the acquisition of 100% of the Downer Group and to the acquisition of 27.01% of Alantra Wealth Management (in Alantra Wealth Management Gestión, SGIIC, S.A. and Alantra Wealth Management, AV, S.A., which constitute a single cash generating unit).

Shown below is a breakdown of the carrying amount of the consolidated assets and liabilities of Alantra Wealth Management and of the Downer Group right before the purchase and the related fair values that were calculated according to the acquisition method of IFRS 3.

| | Thousands of euros | | Thousands of US dollars | |
|---|---|---|---|---|
| | Alantra Wealth | | Alantra, LLC | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Cost of acquisition (A)** | - | **5,460** | - | **31,174** |
| **Prior investment fair value (B)** | - | **(*) 1,866** | - | - |
| Intangible assets | 111 | (**) 1,211 | - | - |
| Property and equipment | 512 | 512 | 264 | 264 |
| Non-current financial asset | 3 | 3 | 176 | 176 |
| Deferred tax assets | - | (**) 2,144 | - | - |
| Trade and other receivables | 4,100 | 4,100 | 1,815 | 1,815 |
| Other current assets | - | - | 40 | 40 |
| Cash and cash equivalents | 1,590 | 1,590 | 2,615 | 2,615 |
| Non-current provisions | - | - | (132) | (132) |
| Trade and other payables | (3,836) | (3,836) | (1,628) | (1,628) |
| **Total fair value of acquired assets and liabilities (C)** | - | **5,724** | - | **3,150** |
| **Non-controlling interests (D)** | - | **(***) 2,861** | - | - |
| **Goodwill (A) + (B) – (C) + (D)** | - | **4,463** | - | **28,024** |

(*) The Company has calculated the fair value of the prior investment, which had been classified as interests in associates, and recorded a gain of €1,268 thousand (see Note 2.14).

(**) In the process of recognising the identifiable assets acquired, the Group considered that the requirements were met for recognising deferred tax assets from tax loss carryforwards of €8,574 thousand and an intangible asset of €1,100 thousand in respect of list of customers (see Note 2.14).

(***) In addition, in connection with the acquisition of the additional 27.01% of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A., a put option was agreed over all shares of said companies owned from time to time by the minority shareholder, and a financial liability was therefore recognised for the fair value of the best estimate of the amount payable (see Note 2.14).

The calculation of those amounts is subject to change as the estimate of all fair values are being reviewed and, in accordance with IFRS 3, could be modified during a term of one year after the acquisition (see Note 2.14).

At year-end 2016 and 2015 the Directors of the Company did not regard it necessary to record any additional impairment of goodwill.

As mentioned in Note 3-h, the cash generating units ("CGUs") to which goodwill has been assigned are periodically tested for impairment, with their carrying amount including the part of goodwill assigned. This testing is done at least annually or whenever there are indications of impairment.

Both the fair values of the CGUs and the assignment of fair value to their assets and liabilities are based on estimates and assumptions which the Group's management have considered appropriate for the circumstances. However, changes in the measurement assumptions used could give rise to a difference in the result of the impairment testing.

The impairment testing calculation uses three key assumptions, which are the ones to which the amount of recoverable value is most sensitive:

- The cash flows projections made by the Group's management, based on the latest available budgets for the next 5 years.
- The constant sustainable growth rate to extrapolate the cash flows, as from the fifth year (2021), beyond the period covered by the budgets or forecasts.
- The rate for discounting future cash flows, which is the same as the cost of capital assigned to each CGU, and which is composed of a risk-free rate plus a premium reflecting the inherent risk of each of the businesses evaluated.

The approach used by the Group's management to determine the values of these assumptions is based both on their projections or, where applicable, on past experience. Those values are uniform with external information sources. Also, the measurement of the most significant goodwill (CGU assigned to Alantra, LLC) was reviewed by an independent expert (different from the Group's external auditor).

Discussed below are the main characteristics (key assumptions, discount rate, growth rates and sensitivity analysis) used in impairment testing of the most important cash generating units:

The measurement methodology used to determine the value in use of the Alantra, LLC cash generating unit was to discount the future free cash flows associated with that business for a projection period of five years (until 2021). The key variables on which the financial projections are constructed come from estimates of future revenues and expenses of that company, as well as the capital required to pursue its activity. The present value of the future flows to be distributed that was used to obtain the value in use has been calculated taking the risk-free return on assets plus a specific risk premium for the business analysed as discount rate. According to this method, the discount rate used was 10.76%. The residual value has been estimated as present value of a perpetual income stream as from the last year of the projection (taking as base the normalised net operating income for the projected period) and assuming a nominal annual growth rate of 1%. An analysis was also conducted of sensitivity to the growth rate in the residual value of between 0.8% and 1.8%. In addition, as a check, the measurement metric used by the independent expert was the comparable transaction multiples method. No additional impairment losses have been detected.

The measurement methodology used by the Group's specialised department to obtain the value in use associated with the businesses carried on by the companies Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, Agencia de Valores, S.A., which constituted a single cash generating unit at 31 December 2016, was to discount the future dividends associated with that business for a 5-year projection

period (until 2021). The key variables on which the financial projections are constructed come from estimates of future revenues and expenses of that company, as well as the capital required to pursue its activity. The present value of the future flows to be distributed that was used to obtain the value in use has been calculated taking the risk-free return on assets plus a specific risk premium for the business analysed as discount rate. According to this method, the discount rate used was 8.28%. The residual value has been estimated as present value of a perpetual income stream as from the last year of the projection (taking as base the normalised net operating income for the projected period) and assuming a nominal annual growth rate of 1%. An analysis was also conducted of sensitivity to the growth rate in the residual value of between -2% and 2%, with no impairment losses be seen in any event.

The method used by the Group's specialist department to measure the value in use associated with the business performed by Alantra Equities, Sociedad de Valores, S.A. at 31 December 2016 was to discount future dividends from this business over a five-year projection period (until 2021). Key variables on which the financial projections were based are those relating to the estimate of the future income and expenses associated with said company and the amount of own equity needed to perform its activity. The present value of future cash flows to be distributed used to determine value in use was calculated using as the discount rate the yield on risk-free assets plus a specific risk premium commensurate with the business analysed. As per this method, the discount rate was 10.40%. The residual value was estimated as the present value of perpetual income as from the last year of the projection (based on the average normalised net operating profit for the projection period) and considering a nominal annual growth rate of 0%. The growth rate of residual value was also analysed for sensitivity, which was determined at between -2% and +2%, with no impairment losses being detected in any scenario.

***b) Other intangible assets***

The balance of this heading on the assets side of the consolidated balance sheet at 31 December 2016 records software acquired by the Group for €153 thousand and the contractual rights arising from relations with customers from the acquired businesses for a net €1,073 thousand (see Note 2.14). At 31 December 2015 the entire balance of this heading was in respect of software. Shown below is the movement recorded in this heading in 2016 and 2015:

| | Software | | List of customers | | Total | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Cost:** | | | | | | |
| Balance at the beginning of the period | 617 | 609 | - | - | 617 | 609 |
| Additions | 27 | 51 | - | - | 27 | 51 |
| Other changes (*) | 682 | (43) | 1,100 | - | 1,782 | (43) |
| Balances at the end of the period | **1,326** | **617** | **1,100** | - | **2,426** | **617** |
| **Accumulated amortisation:** | | | | | | |
| Balance at the beginning of the period | (560) | (544) | - | - | (560) | (544) |
| Allowances | (47) | (35) | (27) | - | (74) | (35) |
| Other changes (*) | (566) | 19 | - | - | (566) | 19 |
| Balances at the end of the period | **(1,173)** | **(560)** | **(27)** | - | **(1,200)** | **(560)** |
| **Intangible assets, net** | **153** | **57** | **1,073** | - | **1,226** | **57** |

(*) Movement originating in 2016, basically from the purchase of the additional 27.01% of Alantra Wealth Management Gestión, S.G.I.I.C., S.A., Alantra Wealth Management, A.V., S.A. and from the acquisition of 100% of the Downer Group (on the sale of Nmás1 Eolia, S.G.E.I.C., S.A.U. in 2015) (see Note 2.14).

Fully amortised intangible assets in use amounted to €1,060 thousand, €525 thousand at 31 December 2016 and 2015 respectively.

At 31 December 2016 and 2015 there were no intangible assets acquired or transferred under a finance lease.

At year-end 2016 and 2015 the Directors of the Company did not regard it necessary to record any impairment of other intangible assets.

## 7. Property and equipment

The changes in "Property and equipment" on the assets side of the consolidated balance sheet in 2016 and 2015, entirely comprising property and equipment for own use, were as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Fixtures | Computer hardware | Furniture | Other items of property and equipment | Total |
| **Cost:** | | | | | |
| Balances at 1 January 2015 | **1,635** | **860** | **274** | **139** | **2,908** |
| Additions | 237 | 178 | 42 | 8 | 465 |
| Disposals | - | - | - | - | - |
| Other changes (*) | (4) | (140) | (18) | - | (162) |
| **Balances at 31 December 2015** | **1,868** | **898** | **298** | **147** | **3,211** |
| Additions | 6 | 148 | 38 | 50 | 242 |
| Disposals | - | - | - | - | - |
| Other changes (**) | 1,048 | 215 | 342 | 51 | 1,656 |
| **Balances at 31 December 2016** | **2,922** | **1,261** | **678** | **248** | **5,109** |
| **Accumulated depreciation:** | | | | | |
| Balances at 1 January 2015 | **(418)** | **(653)** | **(123)** | **(73)** | **(1,267)** |
| Allowances | (178) | (113) | (24) | (16) | (331) |
| Disposals | - | - | - | - | - |
| Other changes (*) | (3) | (137) | (11) | - | 151 |
| **Balances at 31 December 2015** | **(593)** | **(629)** | **(136)** | **(89)** | **(1,447)** |
| Allowances | (203) | (135) | (61) | (17) | (416) |
| Disposals | - | - | - | - | - |
| Other changes (**) | (515) | (164) | (160) | (51) | (890) |
| **Balances at 31 December 2016** | **(1,311)** | **(928)** | **(357)** | **(157)** | **(2,753)** |
| **Property and equipment, net:** | | | | | |
| **Balances at 31 December 2015** | **1,275** | **269** | **162** | **58** | **1,764** |
| **Balances at 31 December 2016** | **1,611** | **333** | **321** | **91** | **2,356** |

(*) Change stemming from the sale of Nmás1 Eolia, S.G.E.I.C., S.A.U. (see Note 2.14).

(**) Movement originating in 2016, basically from the purchase of the additional 27.01% of Alantra Wealth Management Gestión, S.G.I.I.C., S.A., Alantra Wealth Management, A.V., S.A. and from the acquisition of 100% of the Downer Group (see Note 2.14).

Fully depreciated property and equipment in use amounted to €964 thousand at 31 December 2016, €544 thousand at 31 December 2015.

Property, plant and equipment are covered by appropriate insurance policies. The Directors of the Company estimate that the risks to which those fixed assets are subject are sufficiently covered.

At 31 December 2016 and 2015, there was no property and equipment acquired or transferred under a finance lease.

## 8. Investments accounted for using the equity method

This line item comprises the equity/capital instruments issued by Alantra Group investees, which are associated and jointly-controlled entities accounted for using the equity method.

### *a) Breakdown*

Details of this line item on the assets side of the consolidated balance sheet at 31 December 2016 and 2015, contractual currency and whether or not investees' securities are listed or non-listed are as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2015 | 31/12/2015 |
| **By investee:** | | |
| Alantra Wealth Management, A.V., S.A. | - | 370 |
| Alantra Wealth Management Gestión, S.G.I.I.C., S.A. | - | 228 |
| Nplus1 Singer Ltd | 9,072 | 8,247 |
| Plusalpina Real Estate Advisors GmbH | - | 368 |
| Alpina Real Estate GP I, S.A. | 24 | - |
| Alpina Real Estate GP II, S.A. | 72 | 93 |
| Alpina Real Estate GP, S.A. | 126 | 358 |
| Alantra AG | 3,056 | 2,625 |
| Sociedades Daruma | - | - |
| Phoenix Recovery Management, S.L. | 140 | 114 |
| Landmark Capital, S.A. | 3,627 | |
| | **16,117** | **12,403** |
| **By currency:** | | |
| Euro | 362 | 1,531 |
| Pound sterling | 9,072 | 8,247 |
| Swiss franc | 3,056 | 2,625 |
| Chilean pesos | 3,627 | - |
| | **16,117** | **12,403** |
| **Listing status:** | | |
| Non-listed | 16,117 | 12,403 |
| | **16,117** | **12,403** |

Material disclosures on associates belonging to the Alantra Group in 2016 and 2015, respectively, are included in Note 2.14.

On 2 March 2016 an agreement was signed whereby the Company sold and transferred 50% of its interest in Plusalpina Real Estate Advisors GmbH for €360 thousand to Conren Land AG, with no material impact on these consolidated financial statements (see Note 2.14).

On 3 October 2016 the Company acquired an additional 27.01% of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. In addition, an agreement was signed amongst shareholders covenanting different questions regarding governance of the companies, and it was considered that the conditions were fulfilled for considering those companies as subsidiaries. Accordingly, they have been integrated in the Alantra Group using the global integration method (see Note 2.14).

In 2015, the investments in Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş. and Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. were written down by €470 thousand and €35

thousand, respectively, recognised under "Impairment losses and gains (losses) on disposal of financial instruments" in the consolidated income statement for 2016.

Since all the companies included in the previous table generated net profits in 2016, the Group recognised these in the consolidated income statement. These profits attributable to the Group totalled €2.520 thousand in 2016 (2015: €2.042 thousand), recognised under "Share of profit (loss) of companies accounted for using the equity method". in the consolidated income statement (see Note 23).

The amount attributable to Nplus1 Singer Ltd includes the consolidated figures of the sub-group comprising Nplus1 Singer Ltd, Nplus1 Singer Advisory LLP and Nplus1 Singer Capital Markets Ltd. This amount includes €709 thousand of implicit goodwill generated from the Group's acquisition of Nplus1 Singer Ltd shares in 2012 (see Note 2.14).

The figure for Alantra AG includes €2,345 thousand of implicit goodwill generated from the Group's acquisition of Alantra AG shares in 2014.

The figure for Landmark Capital, S.A. includes the consolidated figures for the subgroup composed of Landmark Capital, S.A., Landmark Capital Assesoria Empresarial Ltda., Landmark Capital Argentina SRL and Landmark Capital Colombia SAS. Said amount includes €2,909 thousand (net of impairment) in respect of the implicit goodwill generated on the Group's acquisition in 2016 of shares of Landmark Capital, S.A. (see Note 2.14). During 2016 the Group recognised €1,263 thousand of impairment of that goodwill under "Impairment losses and gains (losses) on disposal of financial instruments" in the 2016 consolidated income statement (see Note 27).

At year-end 2016 the Directors of the Company did not regard it as necessary to record any further impairment.

## 9. Non-current financial assets

The breakdown of this line item at 31 December 2016 and 2015 is as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Available-for-sale financial assets | Other financial assets at fair value through profit or loss | Loans | Other financial assets | Total |
| **Balances at 1 January 2015** | **5,155** | - | **238** | **297** | **5,690** |
| Additions due to merger | 15,058 | 58,355 | 46,815 | 1,430 | 121,658 |
| Additions (*) | 5,462 | - | 117 | 22,547 | 28,126 |
| Transfers to current assets | - | - | (60) | - | (60) |
| Disposals (*) | (3,740) | (57,516) | (46,197) | (74) | (107,527) |
| **Balances at 31 December 2015** | **21,935** | **839** | **913** | **24,200** | **47,887** |
| Additions (*) | 20,133 | 1,158 | 3,821 | 205 | 25,317 |
| Transfers to current assets | - | - | - | (4,516) | (4,516) |
| Disposals (*) | (9,972) | (514) | (630) | (10,337) | (21,543) |
| **Balances at 31 December 2016** | **32,096** | **1,483** | **4,104** | **9,552** | **47,235** |

(*) Includes valuation adjustments or impairment, as applicable.

### *9.1. Available-for-sale financial assets*

#### *a) Breakdown*

Details of this line item on the assets side of the consolidated balance sheet at 31 December 2016 and 2015, by classification, listing status, currency and nature, are as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| **Classification:** | | |
| Available-for-sale financial assets | 32,096 | 21,935 |
| | **32,096** | **21,935** |
| **By listing status:** | | |
| Listed | 166 | - |
| Non-listed | 31,930 | 21,935 |
| | **32.096** | **21,935** |
| **Currency:** | | |
| Euro | 26,725 | 12,900 |
| Other currencies | 5,371 | 9,035 |
| | **32,096** | **21,935** |
| **Type:** | | |
| Shares of Spanish companies | 5 | 2 |
| Shares of foreign companies | 84 | 3 |
| Units in CISs | 15,910 | 1,254 |
| Units in private equity firms | 16,097 | 20,676 |
| | **32,096** | **21,935** |

Details of "Non-current financial assets – Available-for-sale financial assets" at 31 December 2016 and 2015 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| **Available-for-sale financial assets:** | | |
| EQMC Europe Development Capital Fund, Plc. (1) | 4,562 | 78 |
| QMC II Iberian Capital Fund II, FIL (1) | 1,331 | 1,176 |
| Alteralia S.C.A., SICAR (1) | 3,291 | 2,742 |
| Nmás1 Dinamia Portfolio, S.C.R., S.A. (2) | 4,676 | 6,023 |
| Nmás1 Private Equity Fund, III, F.C.R. (3) | 88 | 165 |
| Nmás1 Private Equity Fund, III, S.C.R. (3) | 82 | |
| Nmás1 Private Equity Fund II, F.C.R. (1) | 2,454 | 2,711 |
| Electra Partners Club 2007, LP (1) | 5,371 | 9,035 |
| Mutuafondo Corto Plazo, F.I. (1) | 10,017 | |
| Service Point Solutions, S.A. (4) | 31 | |
| H-Farm SpA (4) | 135 | |
| DIVA-E Management Beteiligungs GmbH (3) | 50 | |
| Gestora del Fondo de Garantía de Inversiones, S.A. (3) | 5 | 2 |
| Other equity instruments (3) | 3 | 3 |
| | **32,096** | **21,935** |

(1) Fair value calculated on the basis of the last net asset value published by each investee at the measurement date.

(2) Fair value calculated on the basis of the last net asset value published and applying a discount for liquidity to make it consistent with the value applied the previous year (at 31 December 2015 fair value was calculated by reference to the last transaction, as described in Note 2.14).

(3) Financial instruments measured at cost, as most of these vehicles were formed recently and have not yet made investments, and cost best reflects their fair value.

(4) Fair value calculated by trading prices.

At 31 December 2016, the Group held ownership interests in the open-ended investment company, EQMC Europe Development Capital Fund, Plc, the fair value of which was €4,562 thousand at that date (31 December 2015: €78 thousand). This entity is coordinated, managed and administrated by Alantra Asset Management, S.G.I.I.C., S.A.U. (an Alantra Group company – see Note 2.14).

At 31 December 2016, the Group held shares in the fund QMC II Iberian Capital Fund II, FIL with fair value at that date of €1,331 thousand (€1,176 thousand at 31 December 2015). This entity is coordinated, managed and administrated by Alantra Asset Management, S.G.I.I.C., S.A.U. (an Alantra Group company – see Note 2.14).

At 31 December 2016, the Group also held shares in Alteralia SCA with a fair value of €3,291 thousand at that date (31 December 2015: €2,742 thousand). This company was incorporated in 2014. This entity is coordinated, managed and administrated by Alantra Asset Management, S.G.I.I.C., S.A.U. (an Alantra Group company – see Note 2.14).

At 31 December 2016, the Group held shares in the private equity firm Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A., incorporated as a result of the spin-off of the Company's investees (see Note 2.14) for €4,676 thousand (31 December 2015: €6,023 thousand). This entity is coordinated, managed and administrated by Alantra Capital Privado, S.G.E.I.C., S.A.U. (an Alantra Group company – see Note 2.14).

At 31 December 2016, the Group held shares in the entities that incorporated the vehicle Nmás1 Private Equity Fund III with aggregate fair value at that date of €170 thousand, coordinated, managed and administrated by Alantra Capital Privado, S.G.E.I.C., S.A.U. (member of Alantra Group – see Note 2.14). Lastly, at the date these

consolidated financial statements are prepared, the placement period for Nmás1 Private Equity Fund III has concluded. The Group has committed to paying €34,668 thousand into the fund Nmás1 Private Equity Fund III, F.C.R., thus maintaining disbursement commitments of €34,580 thousand. The percentage holding in the Fund projected by the Group is 8.91%. The Group has likewise committed to paying €5,750 thousand into the company Nmás1 Private Equity Fund III, S.C.R., S.A., thus maintaining disbursement commitments of €5,693 thousand. The Group projects a total ownership interest in the Company of 9.58%.

At 31 December 2016, the Group held stakes in the companies comprising the investment vehicle Private Equity Fund II, the fair value of which was €2,454 thousand at that date (€2,711 thousand at 31 December 2015). This entity is coordinated, managed and administrated by Alantra Capital Privado, S.G.E.I.C., S.A.U. (an Alantra Group company – see Note 2.14). The aforesaid stakes are held by the solely-owned company Baruch Inversiones, S.L.

Furthermore, as a result of the Merger described in Note 1, at 31 December 2016 and 2015 the Group had shares in the fund Electra Partners Club 2007, LP. The Company has an investment commitment in Electra Partners Club 2007, Lp of GBP 10,000 thousand, of which some 99% had been executed at 31 December 2016 and 2015. Nevertheless, after the distributions carried out, the amount which could be requested by Electra Partners Club 2007, Lp is GBP 1,152 thousand (€1,346 thousand). At 31 December 2016 the fair value of that fund was €5,371 thousand (€9,035 thousand at 31 December 2015).

During 2016 the Group received dividends in respect of Alteralia S.C.A., SICAR of €117 thousand, which are recorded under "Finance income" in the 2016 consolidated income statement (the dividends generated by those shares in 2015 were not material for these consolidated financial statements).

***b) Acquisitions and disposals***

As a result of the contract described in Note 2.14, on 27 May 2015 Nmás1 Energía, S.L.U. sold and transferred shares in Nmás1 Eolia, S.G.E.I.C., S.A.U. to Eolia Renovables de Inversiones, S.C.R., S.A., which acquired them by delivering 550,088 Eolia Renovables de Inversiones, S.C.R., S.A. shares to Nmás1 Energía, S.L.U. On 29 December 2015, the Company sold all the shares it held in Eolia Renovables de Inversiones, S.C.R., S.A. for €2,819 thousand, generating a gain of €134 thousand, recognised under "Revenue" in the consolidated income statement for the year ended 31 December 2015.

On 25 May 2015 and 29 May 2015, N+1 IBG signed a contract with Alteralia Management, S.à.r.l. to subscribe for Special Class and Class C shares of Alteralia S.C.A., SICAR, with an ultimate commitment to disburse €313 thousand and €1,044 thousand, respectively, after the placement period for the vehicle concluded on 24 October 2016. In this connection, during 2016 the Company made contributions of €18 thousand and €62 thousand to subscribe for additional Special Class and Class C shares, respectively.

Similarly, on 2 July 2015 N+1 IBG signed a contract to subscribe for Class C shares, with a disbursement commitment of €4,000 thousand. Lastly, on 2 March 2016 the Company sold the latter Class C shares for €1,705 thousand, generating a loss of €15 thousand that is recorded in "Impairment losses and gains (losses) on disposal of financial instruments" in the 2016 consolidated income statement (see Note 27).

Furthermore, on 14 May 2015 the Company signed a contract with Alteralia Management, S.à.r.l. to subscribe for Class C shares of Alteralia S.C.A., SICAR, with a disbursement commitment of €5,000 thousand. In this regard, given the placement period for the vehicle had concluded at 24 October 2016 and that the Company did not subscribe for additional shares, it received €532 thousand to match the contributions made by all investors as a whole.

During 2016 the Company disbursed €2,706 thousand, therefore maintaining at 31 December 2016 disbursement commitments of €3,080 thousand (€2,742 thousand disbursed in 2015).

On 17 June 2015 Alantra Capital Privado, S.G.E.I.C., S.A.U. incorporated a venture capital fund under the name Nmás1 Private Equity Fund III, FCR, with initial assets of €165 thousand, all of which were contributed by the Alantra Group. During 2016 the Fund returned to the Group the amount paid in by the latter at the Fund's formation. Also, during 2016 the Group signed contracts with Alantra Capital Privado, SGEIC, S.A.U. to subscribe for shares in Nmás1 Private Equity Fund III, FCR. On 20 May 2016 the Group disbursed €88 thousand under that contract.

On 13 April 2016 Nmás1 Private Equity Fund III, S.C.R., S.A. was incorporated with share capital of €1,200 thousand, represented by 120,000 registered shares with a nominal value of €10 each. All shares representing the capital were fully subscribed and paid in at 50% of their nominal value by the Company against a contribution of €600 thousand. It was thus allocated the 120,000 shares with a paid-in value of 50% of their nominal value. On 22 April 2016, the Company, as sole shareholder of Nmás1 Private Equity Fund III, S.C.R., S.A., decided to reduce the capital from the €1,200 thousand fixed at that time to €0 by redeeming and cancelling the 120,000 shares for the purpose of returning the capital contributions made by the sole shareholder. The Company was thus repaid the €600 thousand it had paid in. On that same date it was likewise resolved to increase the capital by €1,200 thousand by issuing and placing in circulation 118,800 Class A registered shares and 1,200 Class B registered shares with a nominal value of €10 each. The Group subscribed for 35,800 Class At shares and 1,200 Class B shares against a payment of €184 thousand. Those resolutions were entered in the Companies Registry on 10 November 2016. In addition, on 22 April 2016 the Group signed a letter of acceptance in which it signed certain investment commitment in Nmás1 Private Equity Fund III, S.C.R., S.A. And in November the Group signed a number of sale-purchase agreements for shares of Nmás1 Private Equity Fund III, S.C.R., S.A. whereby it sold a total of 20,500 Class A shares for €102 thousand. The sale generated no gain or loss for the Group.

During 2016, the Group received €4,484 thousand in respect of a success fee for EQMC Europe Development Capital Fund, Plc., recorded under "Revenue" in the 2016 consolidated income statement and as an addition to the value of its shares in that fund. The amount recorded in 2016 was liquidated in 2017 with the consequent reduction in the cost of the investee. In 2015, the Group received a success fee of €3,674 thousand for EQMC Europe Development Capital Fund, Plc. The part pending receipt at 31 December 2015 was recorded under "Trade and other receivables – Customer receivables for sales and services" on the assets side of the consolidated balance sheet in the amount of €3,188 thousand (see Notes 10 and 24). EQMC Europe Development Capital Fund, Plc is domiciled in Ireland and its assets are managed by Alantra Asset Management, S.G.I.I.C., S.A.U., an Alantra Group member.

During 2016 the Group received three distributions in respect of shares of Electra Partners Club 2007, LP for a total of GBP 4,132 thousand (€5,225 thousand), the equivalent of 42% of the amount contributed to the Fund to that date (two distributions by the Fund of a total of GBP 4,400 thousand (€5,998 thousand) in 2015). In 2015 contributions of GBP 39 thousand (€54 thousand) were made. The investment period for new transactions has now ended.

During 2016 and 2015 the Group received refunds of its shares of Nmás1 Private Equity Fund II of €113 thousand and €1,785 thousand, respectively, which were recognised as a reduction in the cost of the investee.

On 2 June 2016 the Group made a disbursement of €36 thousand in QMC II Iberian Capital Fund, FIL, thereby maintaining a disbursement commitment at 31 December 2016 of €89 thousand, with an investment commitment in the Fund of €1,000 thousand.

In addition, on 16 June 2016 the Group subscribed for €10,000 thousand shares in the fund Mutuafondo Corto Plazo, Fondo de Inversión.

On 25 February 2016 Service Point Solutions, S.A. notified the Group that on 30 September 2015, Service Point Solutions, S.A. had held an extraordinary general meeting of shareholders that approved the capital increases needed to capitalise a bankruptcy debt under the creditors arrangement approved by Commercial Court number

8 of Barcelona on 17 December 2014. At the date the insolvency proceedings were declared, the Group had an ordinary receivable from Service Point Solutions, S.A. of €88 thousand. Application of the debt relief (60%) stipulated in the creditors arrangement brought the amount of that receivable to €35 thousand. Payment was made by way of delivery of shares of Service Point Solutions, S.A. that at 31 December 2016 were recorded in the amount of €31 thousand. At the date these financial statements are prepared said shares have been sold for €31 thousand.

On 16 June 2016 the Group received shares of H-Farm Spa as consideration for the amounted to it by that company. Given the fall in the trading price from 16 June 2016 to 31 December 2016, the Group recognised impairment of its shares in H-Farm Spa of €65 thousand, recording that sum under "Impairment losses and gains (losses) on disposal of financial instruments" in the 2016 consolidated income statement (see Note 27).

In addition, on 12 April 2016 the Group acquired shares of DIVA-E Management Beteiligungs GmbH for €50 thousand.

***c) Valuation adjustments***

Adjustments due to changes in the fair value of available-for-sale financial assets are recognised, net of the corresponding tax effect, in consolidated equity under "Items that can be subsequently reclassified to profit and loss for the period – Available-for-sale financial assets". At 31 December 2016 and 2015, details of "Items that can be subsequently reclassified to profit and loss for the period – Available-for-sale financial assets" in the consolidated balance sheet are as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2016 | | 31/12/2015 | |
| | Valuation | Valuation adjustments | Valuation | Valuation adjustments |
| EQMC Europe Development Capital Fund, Plc | 4,562 | (13) | 78 | (13) |
| QMC II Iberian Capital Fund, F.I.L. | 1,331 | 139 | 1,176 | 50 |
| Alteralia S.C.A., SICAR | 3,291 | 28 | 2,742 | (1) |
| Nmás1 Dinamia Portfolio, S.C.R., S.A. | 4,676 | (1,011) | 6,023 | - |
| Nmás1 Private Equity Fund, III, F.C.R. | 88 | - | 165 | - |
| Nmás1 Private Equity Fund, III, S.C.R. | 82 | - | | |
| Nmás1 Private Equity Fund II, F.C.R. | 2,454 | 668 | 2,711 | 718 |
| Electra Partners Club 2007, LP | 5,371 | 2,985 | 9,035 | 1,813 |
| Mutuafondo Corto Plazo, F.I. | 10,017 | 13 | | |
| Service Point Solutions, S.A. | 31 | (3) | | |
| H-Farm SpA | 135 | - | | |
| DIVA-E Management Beteiligungs GmbH | 50 | - | | |
| Gestora del Fondo de Garantía de Inversiones, S.A. | 5 | - | 2 | - |
| Other equity instruments | 3 | - | 3 | - |
| | 32,096 | 2,806 | 21,935 | 2,567 |

The changes in "Items that can be subsequently reclassified to profit and loss for the period – Available-for-sale financial assets" in 2016 and 2015 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Balance at the beginning of the period | 2,567 | 312 |
| Amounts transferred to the consolidated income statement | - | - |
| Gross valuation adjustment | 299 | 3,174 |
| Tax effect (Note 19) | (60) | (919) |
| Impact of change in tax rate | - | - |
| **Balances at the end of the period** | **2,806** | **2,567** |

### *9.2. Other financial assets at fair value through profit or loss*

The breakdown of "Other financial assets at fair value through profit or loss" at 31 December 2016 and 2015, is as follows:

| | 31/12/2016 | | 31/12/2015 | |
|---|---|---|---|---|
| | Percentage ownership interest | Thousands of euros Fair value | Percentage ownership interest | Thousands of euros Fair value |
| **Other financial assets at fair value through profit or loss:** | | | | |
| Grupo Gestión Integral Novolux Internacional, S.L. | 48.54% | - | 48.54% | 514 |
| Tryo Communication Technologies, S.L. | 24.57% | 1,113 | 24.57% | 325 |
| High Tech Hotels & Resorts, S.A. | - | - | 26% | - |
| EQMC, FIL | 0.49% | 370 | | |
| Alcad, S.L. | 37.68% | - | 37.68% | - |
| | | **1,483** | | **839** |

On 16 September 2016 the Company submitted a Material Disclosure to the Comisión Nacional del Mercado de Valores of the sale through Alantra Dinamia Portfolio II, S.L. (wholly-owned subsidiary of Alantra Partners, S.A.) of its 26% holding in High Tech Hotels & Resorts, S.A. The sale generated a net gain of €9 million and the price of €10,764 thousand obtained is recorded under "Impairment losses and gains (losses) on disposal of financial instruments" in the 2016 consolidated income statement (see Note 27), with the €1,734 thousand in expenses of the sale recorded under "Other operating expenses" in the 2016 consolidated income statement (see Note 26).

An agreement was reached on 21 October 2015 to sell United Wineries Holding, S.A. (an investment that was fully impaired prior to the Merger) for €2,000 thousand. This amount was recognised under "Impairment losses and gains (losses) on disposal of financial instruments" in the 2015 consolidated income statement.

The Company invested through Tryo Communication Technologies, S.L. in Teltronic, S.A.U. and Scati Labs, S.A. On 26 May 2015, Tryo Communication Technologies, S.L. closed the sale of 100% of its subsidiary Teltronic S.A.U. to the company Sepura Plc. Also, on 22 April 2016, Tryo Communication Technologies, S.L. disinvested in the company Scati Labs. In addition, as a result of the sale of the whole of the investments in Tryo Communication Technologies, S.L.'s investment portfolio, the Group has taken as best fair value reference for that holding its carrying amount at 31 December 2016, that is €1,113 thousand.

In 2016 the only amount recorded in the income statement for changes in the fair value of these financial assets was for the change in the measurement of Tryo Communication Technologies, S.L. for an aggregate of €2,493 thousand (both for the payments made to the Group, and for the value measurement described in the preceding

paragraph), which is recorded under "Variation of fair value of financial instruments" in the 2016 consolidated income statement (the only amount recorded in the 2015 income statement for variations in the fair value of these financial assets was the result of the change in the measurement of Tamsi, S.L. prior to its sale — see Note 9.4).

The Group owns a 48.54% interest of Grupo Gestión Integral Novolux, along with a participating loan that is recorded under "Non-current financial assets – Loans" (see Note 9.3) in the consolidated balance sheet. The loan was made by the Company before the Merger mentioned in Note 1. The Group has measured its investment in Grupo Gestión Integral Novolux using multiples of comparable listed companies, arriving at a total of €514 thousand. At 31 December 2016 the whole of that value was allocated to the participating loan (at 31 December 2015 it had been allocated to the value of the holding). The effect of that change in the 2016 income statement is not significant for these annual financial statements.

Alantra Asset Management, S.G.I.I.C., S.A.U. acquired €279 thousand of Class C shares of EQMC, FIL, as part of a multi-year remuneration programme for certain employees of said company pursuant to the Board of Directors resolution of 21 June 2016. Those shares will be redeemed at 31 December 2018 and the aforesaid employees will be entitled to the return earned thereon according to the terms and conditions of the programme. The fair value of those shares at 31 December 2016 was €370 thousand, equal to the debt to those employees recorded under "Trade and other payables – Other payables" on the liabilities side of the consolidated balance sheet at 31 December 2016 (see Note 18). The Group has classified that asset under "Other financial assets at fair value through profit or loss" given that it is managed jointly with a financial liability, thereby significantly eliminating recognition or measurement inconsistencies.

### *9.3. Loans*

A summary of loans granted by the Group at 31 December 2016 and 2015 is as follows:

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Amount drawn down | | Amount written down * | | Net amount | |
| | Loan | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| Nueva Capital Privado Inversiones, S.L. (1) | 320 | 178 | 178 | - | - | 178 | 178 |
| Segur Ibérica, S.A. (2) | 630 | 630 | 618 | (630) | - | - | 618 |
| Quattrocento (3) | 147 | 117 | 117 | - | - | 117 | 117 |
| Grupo Gestión Integral Novolux (4) | - | 13,987 | 13,987 | (13,407) | (13,987) | 580 | - |
| Antiguos accionistas Downer & Company, LLC (5) | - | 2,636 | - | - | - | 2,636 | - |
| Loans to employees | - | 593 | - | - | - | 593 | - |
| | | **18,141** | **14,900** | **(14,037)** | **(13,987)** | **4,104** | **913** |

(1) Interest on these (participating) loans to Nueva Capital Privado Inversiones, S.L. equals 25% of gross profit or loss obtained, which will be settled when the corresponding investment complex is finished. No payment was made in this connection in 2016 or 2015.

(2) Interest on this loan accrues at a rate equivalent to Euribor plus a spread of 2%.

(3) Interest on this loan accrues at a fixed rate of 1% per annum.

(4) Interest on this loan accrues at a fixed rate equivalent to 10% of the principal of the participating loan, provided that pre-tax profit and interest on the participating loan for each year is positive and profit for the year is positive. Interest is also accrued at a variable rate linked to the consolidated profit for the year by Novolux in each annual payment period.

(5) The interest on these loans is set at Euribor+1.5% (with a floor of 1.5%). At 31 December 2016, €2,217 thousand were in foreign currency.

"Non-current financial assets – Loans" on the assets side of the consolidated balance sheet at 31 December 2016 and 2015 included €178 thousand in both years, corresponding to a loan granted to Nueva Capital Privado Inversiones, S.L. (limited partner of Nmás1 Private Equity Fund US No.1, L.P.), Nmás1 Private Equity Fund US

No.2, L.P. and Nmás1 Private Equity Fund US No.3, L.P. The loan will remain in force until the date on which the aforementioned investment complex is completed and settled.

"Non-current financial assets – Loans" on the assets side of the consolidated balance sheet at 31 December 2016 and 2015 deriving from the Merger described in Note 1 also included €630 thousand and €618 thousand, respectively, corresponding to a loan granted by the Company to Segur Ibérica, S.A. on 7 September 2011 (principal of €559 thousand and interest accrued to that date of €71 thousand). Interest of €13 thousand and €3 thousand was accrued during 2016 and 2015, respectively; recognised under "Finance income" in the consolidated income statement for the year ended 31 December 2016 and 2015. During 2016, as a result of the financial position faced by that company (insolvency proceedings), the Company wrote off the whole of the loan, recording €630 thousand under "Impairment losses and gains (losses) on disposal of financial instruments" in the 2016 consolidated income statement (see Note 27). This loan falls due on 31 December 2018.

On 19 January 2015, the Group granted a loan of €147 thousand to Quattrocento. Quattrocento will be required to repay the loan in three instalments. This loan falls due on 31 December 2017. Interest generated on this loan is not material. The entire loan is classified as a non-current asset, although its impact is immaterial to the accompanying consolidated financial statements.

In order to carry out is principal corporate purpose – taking temporary stakes in the capital of non-financial and non-real estate companies – prior to the Merger described in Note 1, the Company could grant participating loans. In this regard, it signed a loan with Grupo Gestión Integral Novolux on 22 September 2005. As a result of this group's financial position, the entire loan was fully written off at 31 December 2015 (it had already been fully written off at the date of the Merger). At 31 December 2016, as a result of the Group's measurement of the whole of the investment in Grupo Integral Novolux mentioned in Note 9.2, the value of the participating loan was measured at €580 thousand, recognising impairment of the whole of the value of the holding. On 14 December 2016 a novation agreement was signed, changing the maturity date of the loan to 15 July 2019.

As a consequence of the Merger described in Note 1, "Non-current financial assets – Loans" on the assets side of the consolidated balance sheet also included receivables deriving from participating loans granted on 5 September 2008 and 24 February 2012 by the Company to MBA Incorporado, S.L. On 4 November 2015, as sole shareholder of Nmás1 Dinamia Portfolio, S.A. at the time, the Company agreed to contribute these receivables to this company. Between the date of the Merger described in Note 1 and the sale of 92.5% of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. (see Note 2.14), interest was accrued on these participating loans of €2,118 thousand, recognised under "Finance income" in the 2015 consolidated income statement. In 2015 and prior to the aforementioned sale, this loan was written down by €2,118 thousand. This amount was recognised under "Impairment losses and gains (losses) on disposal of financial instruments" in the consolidated income statement for the year ended 31 December 2015.

In addition, the Group has granted certain loans to Group employees for a total of €593 thousand. The interest generated by these loans is not significant.

Also, on 27 April 2016 the Group granted six loans to former shareholders of Downer & Company, LLC for a total of USD 2,313 and €414 thousand, which are recorded under "Non-current financial assets – Loans" on the assets side of the consolidated balance sheet at 31 December 2016. Those loans earn variable interest referenced to the 1-month Euribor + 1.5% (with a floor of 1.5%), payable at the maturity date of the loans, which is set at 27 April 2020. Furthermore, at year-end the Group translated to its functional currency the loan granted to the former shareholders of Downer & Company, LLC at the year-end exchange rate, recording a gain of €149 thousand under "Exchange differences" in the 2016 income statement. During 2016 interest of €27 thousand accrued and is recorded under "Finance income" in the consolidated income statement for the year ended 31 December 2016. Those loans are pledged for the shares delivered by the Company by the former shareholders of Downer & Company, LLC (see Notes 2.14 and 14).

### *9.4. Other financial assets*

The breakdown of "Other financial assets" at 31 December 2016 and 2015:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Guarantees | 428 | 223 |
| Tamsi, S.L. | 423 | 1,239 |
| Colegios Laude II, S.L. | 188 | 191 |
| Institutional investors | 8,513 | 22,547 |
| | **9,552** | **24,200** |

"Guarantees" in the previous table comprises the security deposit given by the Company to secure the lease of the offices from which it conducts business, set at €142 thousand at 31 December 2016 and 2015.

On 16 October 2015, the sale of the 25% stake held by Nmás1 Dinamia Portfolio, S.A. in Tamsi Spain, S.L. was also formalised and completed for €12,679 thousand. The Company was the holder of said investment until the date of the carve-out described in Note 1. This transaction involved the sale of the investment and full repayment of the participating loans granted by the Company to Tamsi Spain, S.L. totalling €9,321 thousand, which were recognised under "Non-current financial assets – Loans" on the assets side of the Group's consolidated balance sheet. The net amount obtained from the divestment, already settled, was €20,500 thousand. It was planned that this amount would be increased by €1,483 thousand, and would depend on the amount to be recovered if Tamsi Spain, S.L., in turn, recovered the balance of an account in Banco de Madrid, S.A.U. In this connection, the Company considered that it was reasonably doubtful that this additional amount would be collected in full, and it therefore recognised an allowance of €310 thousand under "Impairment losses and gains (losses) on disposal of financial instruments" in the 2015 consolidated income statement (which is maintained at 31 December 2016), whereby the amount finally recognised in the balance of the "Tamsi Spain, S.L." account was €1,173 thousand. Between the date of the Merger described in Note 1 and the sale of the stake in Tamsi Spain, S.L., interest was accrued on these participating loans of €304 thousand, recognised under "Finance income" in the consolidated income statement for the year ended 31 December 2015. During 2016, Tamsi Spain, S.L. recovered €750 thousand of the account it held in Banco Madrid and the Company granted a loan for that amount to Tamsi Spain, S.L., with maturity on 16 April 2017, and recorded under "Other current financial assets" on the assets side of the consolidated balance sheet at 31 December 2016 (see Note 11). It accrues interest of 4% per annum during the first 12 months and 6% per annum thereafter.

Furthermore, the balance of "Institutional investors" in the above itemisation records €8,513 thousand in respect of the part pending receipt for the third payment of the sale of 92.50% of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. described in Note 2.14. That payment will be made before the second anniversary of the sale date (€14,034 thousand and €8,513 thousand a at 31 December 2015 in respect of the second and third payment, respectively, of the sale of 92.50% of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A.).

Lastly, the figure of €188 thousand for "Colegios Laude II, S.L." (31 December 2015: €181 thousand) in the above table refers to the balances assigned to an escrow account maturing in 2018 and resulting from the sale of one of the Company's investees, Colegios Laude II, S.L., prior to the Merger (see Note 10).

## 10. Trade and other receivables

### 10.1. Trade receivables

*a) Breakdown*

At 31 December 2016 and 2015, "Trade and other receivables – Trade receivables" on the assets side of the consolidated balance sheet was as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| **By category and situation of the transactions** | | |
| Fees and commissions | 11,565 | 5,585 |
| Business and advisory services | 14,861 | 13,558 |
| Impaired assets | 3,150 | 2,551 |
| Valuation adjustments – | | |
| Impairment losses | (3,150) | (2,551) |
| Other debtors | 113 | 1,329 |
| | **26,539** | **20,472** |
| **By currency** | | |
| Euro | 25,004 | 19,906 |
| Other currencies | 1,535 | 566 |
| | **26,539** | **20,472** |

At 31 December 2016 and 2015, "Fees and commissions" in the above table comprises the receivable associated with commission accrued by the Group in the years ended on these dates (see Note 24), broken down as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Management of investment vehicles | | |
| Nmás1 Private Equity Fund II | 650 | - |
| Nmás1 Private Equity Fund III | 5,416 | - |
| Nmás1 Dinamia Portfolio, SCR, S.A. | 92 | - |
| EQMC Europe Development Capital Fund, Plc | 587 | 3,833 |
| QMC II Iberian Capital Fund, FIL | 492 | 401 |
| EQMC, F.I.L. | 2,047 | 1,345 |
| Alteralia Debt Fund, FIL | 9 | 6 |
| Open-ended Investment Companies (*) | 139 | - |
| Mercer Investment Fund 2 | 244 | - |
| Marketing (*) | 1,092 | - |
| Portfolio management (*) | 491 | - |
| Advising (*) | 166 | - |
| Other fees and commissions | 140 | - |
| | **11,565** | **5,585** |

(*) Primarily in respect of fees from Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. The Group acquired control of said companies in 2016 (see Note 2.14).

At 31 December 2015, the fees and commissions of €3,188 thousand charged to EQMC Europe Development Capital Fund, Plc shown in the above table comprise the performance fee receivable associated with holding the Class B units in EQMC Europe Development Capital Fund, Plc as specified in the fund's prospectus (see Notes 9 and 23).

"Business and advisory services" also includes the fees and commissions receivable primarily for business and advisory services rendered, totalling €14.861 thousand at 31 December 2016 (31 December 2015: €13,558 thousand).

At 31 December 2015, "Other debtors" in the above table included the outstanding additional payment of €1,059 thousand for the year ended 31 December 2015, agreed for the sale of one of the Company's investees, Colegios Laude II, S.L., prior to the Merger. An amount of €188 thousand is also receivable in connection with this sale at 31 December 2016 (€191 thousand at 31 December 2015). It relates to the balances assigned to an escrow account maturing in 2018 and is recognised under "Non-current financial assets" (see Note 9.4).

Lastly, "Other debtors" the above table also included discretionary portfolio management fees receivable amounting to €243 thousand at 31 December 2015 – See Note 24 - At 31 December 2016 those balances are recorded under "Fees and commissions" above.

All the balances included in this line item are payable on demand.

***b) Impairment losses***

The changes during 2016 and 2015 in impairment losses associated with financial assets recognised under "Trade and other receivables – Trade receivables" on the assets side of the consolidated balance sheet were as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Balance at the beginning of the period | 2,551 | 2,398 |
| Impairment losses with a charge to profit and loss (*) | 686 | 297 |
| Reversal of impairment losses credited to income (*) | (35) | (144) |
| Writeoffs | (52) | - |
| **Balances at the end of the period** | **3,150** | **2,551** |

(*) Amounts recognised under "Impairment losses and gains (losses) on disposal of financial instruments" in the consolidated income statement.

**Impaired assets**

At 31 December 2016 and 2015, financial assets classified as loans and deemed to be fully impaired due to the associated credit risk totalled €3,150 thousand and €2,551 thousand, respectively.

**10.2. Other receivables**

At 31 December 2016 and 2015, "Trade and other receivables – Other receivables" on the assets side of the consolidated balance sheet comprised receivables from public entities, excluding income tax rebates, totalling €114 thousand and €167 thousand, respectively (see Note 19).

In addition, "Trade and other receivables – Other receivables" at 31 December 2016 includes €3,766 thousand of the part pending receipt from the second payment for the sale of 92.50% of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. At the date these consolidated financial statements were prepared, that amount has been paid.

On 18 November 2015, as sole shareholder of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. at that time, the Company agreed to distribute a share premium for various concepts, which included cash of €1,347 thousand (see Note 2.14). At 31 December 2015, this amount was receivable and recognised under "Trade and other receivables -- Other receivables" on the assets side of the consolidated balance sheet. This balance has been settled during 2016.

## 11. Other current financial assets

The balance of this line item on the assets side of the consolidated balance sheet primarily comprises the deposit accounts opened by the Group in 2016 and 2015. Details of these accounts are shown below at 31 December 2016:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Nominal value | Carrying amount | Expiry date | Annual interest rate |
| Banco Santander, S.A. | 1,250 | 1,250 | 14/12/2017 | 0.13% |
| Banco Santander, S.A. | 1,250 | 1,250 | 14/12/2017 | 0.13% |
| Banco Santander, S.A. | 1,250 | 1,250 | 14/12/2017 | 0.13% |
| Bankinter, S.A. | 1,175 | 1,175 | 09/09/2017 | 0.05% |
| Bankinter, S.A. | 3,000 | 3,000 | 25/04/2017 | 0.15% |
| | **7,925** | **7,925** | | |
| Accrued interest pending collection | - | 8 | | |
| | - | **8** | | |

Those deposits generated interest of €8 thousand, recorded under "Finance income" in the 2016 consolidated income statement.

It also includes €750 thousand in respect of the loan made to Tamsi Spain, S.L., which accrues interest of 4% per annum during the first 12 months and 6% per annum thereafter (see Note 9.4). The interest generated by these loans is not significant.

Shown below is a summary of the deposits at 31 December 2015:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Nominal value | Carrying amount | Expiry date | Annual interest rate |
| Banco Santander, S.A. | 1,250 | 1,250 | 14/12/2016 | 0.13% |
| Banco Santander, S.A. | 1,250 | 1,250 | 14/12/2016 | 0.13% |
| Banco Santander, S.A. | 1,250 | 1,250 | 14/12/2016 | 0.13% |
| | 3,750 | 3,750 | | |
| Accrued interest pending collection | - | - | | |
| | - | - | | |

These deposit accounts were opened on 14 December 2015 and therefore, no interest was recognised thereon in 2015.

At 31 December 2015, "Other current financial assets" also included loans granted to employees totalling €60 thousand. These loans did not generate income for the Group during the years 2016 and 2015. During the year 2016, these loans have expired.

## 12. Other current assets and liabilities

"Other current assets" on the assets side of the consolidated balance sheet at 31 December 2016 and 2015 included loans and advances granted to employees by the Group totalling €37 thousand, €329 thousand, respectively. These loans did not generate income for the Group. At 31 December 2016, this line item also included prepaid expenses of €623 thousand (31 December 2015; €436 thousand).

At 31 December 2016, "Other current liabilities" included accrued income of €223 thousand at 31 December 2016 (31 December 2015; €674 thousand).

## 13. Cash and cash equivalents

### *a) Breakdown*

Details of "Cash and cash equivalents" at 31 December 2016 and 2015 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| **Cash –** | | |
| Current accounts | 101,526 | 108,235 |
| Cash | 86 | 75 |
| | **101,612** | **108,310** |
| **Other cash equivalents –** | | |
| Deposit accounts at credit institutions | - | 5,035 |
| | - | **5,035** |
| | **101,612** | **113,345** |

Income generated from current accounts in 2016 and 2015 was not material for the Group.

Details of the current accounts held by the Group at 31 December 2016 and 2015 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| **Current accounts in euros:** | | |
| Bankinter, S.A. | 53,454 | 22,301 |
| Banca March, S.A. | 403 | 876 |
| Banco Sabadell, S.A. | 4,887 | 5,031 |
| Bancoval Securities Services, S.A.U. | 566 | - |
| Banco Bilbao Vizcaya Argentaria, S.A. | 55 | 37 |
| Banco Santander, S.A. | 20,339 | 61,716 |
| Santander Securities Services, S.A. | 214 | - |
| Deutsche Bank, A.G. | 99 | 99 |
| Grupo Bancario Credito Emiliano | 1,843 | 1,083 |
| Banca Albertini Syz & Co. | 3 | 3 |
| Kutxabank, S.A. | - | 87 |
| Catalunya Banc, S.A. | 90 | 90 |
| Banco Mare Nostrum, S.A. | 97 | 93 |
| Crédit Lyonnais | 1,157 | 82 |
| Commerzbank, A.G. | 6,890 | 2,686 |
| BNP Paribas Securities Services | 1,203 | 2,139 |
| ING Bank, N.V. | 754 | 67 |
| Allied Irish Bank | 171 | - |
| Alpha Bank | 4 | - |
| EFG Bank (Luxembourg) S.A. | 30 | 43 |
| | **92,259** | **96,433** |
| **Current accounts in currencies other than the euro:** | | |
| Banco Santander, S.A. | 1,208 | - |
| Barclays Bank | - | 71 |
| Allied Irish Bank | 555 | - |
| Crédit Lyonnais | 1 | - |
| Svenska Handelsbanken AB | 526 | - |
| Bank of America | 400 | - |
| China Merchants Bank | 35 | - |
| Bankinter, S.A. | 6,542 | 11,731 |
| | **9,267** | **11,802** |
| | **101,526** | **108,235** |

Pursuant to Article 42 bis 4b) of Royal Decree 1065/2007, the Alantra Group individually identifies in its auxiliary accounting records the current accounts held outside Spain by the Company or its foreign and Spanish subsidiaries.

At 31 December 2015, as a result of the Merger described in Note 1, "Cash and cash equivalents – Other cash equivalents" on the assets side of the consolidated balance sheet also included the following deposit accounts at credit institutions opened on 3 April 2013:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Nominal value | Carrying amount | Expiry date | Annual interest rate |
| Banco Santander, S.A. | 1,000 | 1,000 | 03/04/2016 | 2.30% |
| Banco Santander, S.A. | 1,000 | 1,000 | 03/04/2016 | 2.30% |
| Banco Santander, S.A. | 1,000 | 1,000 | 03/04/2016 | 2.30% |
| Banco Santander, S.A. | 1,000 | 1,000 | 03/04/2016 | 2.30% |
| Banco Santander, S.A. | 1,000 | 1,000 | 03/04/2016 | 2.30% |
| | **5,000** | **5,000** | | |
| Accrued interest pending collection | - | 35 | | |
| | **5,000** | **5,035** | | |

(*) Interest generated on these deposit accounts is variable, totalling 2.30% from the date of the Merger to maturity.

These deposit accounts were classified as current because they matured in approximately three months and because no penalty would be charged on the principal for early closure.

The interest accrued by the deposits in credit institutions in 2016 amounted to €34 thousand, recorded under "Finance income" in the 2016 consolidated income statement (€58 thousand from the time of the Merger until 31 December 2015, recorded under "Finance income" in the 2015 consolidated income statement).

***b) Acquisitions and disposals***

The changes in reverse repurchase agreements in 2016 and 2015 are shown below:

| | Thousands of euros | |
|---|---|---|
| | | 2015 |
| Balance at the beginning of the period | - | **1,690** |
| Subscriptions | - | - |
| Maturities | - | (1,690) |
| **Balances at the end of the period** | - | - |

No significant impairment losses on these assets were identified in either 2016 or 2015.

## 14. Equity

The changes in 2016 and 2015 in this line item in the consolidated balance sheets were as follows:

| | Thousands of euros | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Reserves | | | | | | | | | |
| | Capital | Share premium | Legal and statutory reserve | Other reserves | Reserves at consolidated companies | Reserves in companies accounted for using the equity method | Less: Treasury shares and own equity investments | Profit (loss) for the year attributable to the parent | Interim dividend | Other equity instruments | Total | Dividends |
| Balances at 1 January 2015 | 2,471 | 28,129 | 70 | 4,582 | (2,899) | (1,007) | (40) | 14,140 | (5,987) | (32) | 39,427 | |
| Compensation transferred from Takeover (Note 1) | | | | | | | | | | | | |
| Equity issues | 52,173 | 82,955 | - | - | - | - | - | - | - | - | 135,128 | - |
| Other adjustments | 46,367 | 13,802 | - | (102,967) | - | - | 40 | - | - | - | (42,758) | - |
| Distribution of profit for 2014 (*) | - | - | - | 3,234 | 3,703 | 69 | - | (14,140) | 5,987 | - | (1,147) | 1,147 |
| Purchase/sale of treasury shares | - | - | - | - | - | - | (460) | - | - | - | (460) | - |
| Profit for 2015 | - | - | - | - | - | - | - | 65,686 | - | - | 65,686 | - |
| Decreases in equity resulting from business combinations | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends (Note 1) | - | (19,394) | - | - | - | - | - | - | (2,855) | - | (22,249) | - |
| Transaction with shareholders or owners | - | - | - | 1,934 | - | - | - | - | - | 32 | 1,966 | - |
| Other changes | - | - | - | 1,839 | (1,387) | (378) | - | - | - | - | 74 | - |
| **Balances at 31 December 2015** | **101,011** | **105,492** | **70** | **(91,378)** | **(583)** | **(1,316)** | **(460)** | **65,686** | **(2,855)** | **-** | **175,667** | |
| Equity issues | 5,600 | 12,002 | - | (2,877) | - | | - | - | - | - | 14,725 | |
| Distribution of profit for 2015 (*) | - | - | 20,145 | 42,437 | (235) | 484 | - | (65,686) | 2,855 | - | - | |
| Purchase/sale of treasury shares | - | - | - | - | - | - | (678) | - | - | - | (678) | |
| Profit for 2016 | - | - | - | - | - | - | - | 25,055 | - | - | 25,055 | |
| Decreases in equity resulting from business combinations | - | - | - | - | - | - | - | - | - | - | - | |
| Dividends (Note 1) | - | (25,432) | - | - | - | - | - | - | - | - | (25,432) | |
| Transaction with shareholders or owners | - | - | - | (7,252) | - | - | - | - | - | - | (7,252) | |
| Other changes | - | - | - | 919 | (1,866) | 1,604 | - | - | - | - | 657 | |
| **Balances at 31 December 2016** | **106,611** | **92,062** | **20,215** | **(58,151)** | **(2,684)** | **772** | **(1,138)** | **25,055** | **-** | **-** | **182,742** | |

**Capital**

On 29 April 2015 and for the purposes of the planned Merger (see Note 1), the Company's shareholders voted to increase the Company's capital by €52,173 thousand by issuing and putting into circulation 17,390,984 new ordinary shares of €3 par value each. The new shares were issued with a share premium of €4.77 per share. Following this transaction, at 31 December 2015, the Company's capital amounted to €101,010,552, represented by 33,670,184 shares of €3 par value each.

In addition, on 13 December 2016 the General Meeting of the Company resolved to increase the share capital by issuing and placing in circulation 1,262,652 ordinary shares with a nominal value of €3 each and a share premium of approximately €6.525 per share. The full amount of the capital increase was wholly subscribed and paid in by the former shareholders of Downer & Company, LLC (see Note 2.14). Also, on 13 December 2016 the General Meeting resolved to increase its share capital by issuing and placing in circulation 604,124 ordinary shares with a nominal value of €3 each and share premium of approximately €6.228 per share. The increase was fully subscribed and paid in by certain shareholders of Alantra International Corporate Advisory, S.L. by way of a non-monetary contribution of 509,012 shares of Company Alantra International Corporate Advisory, S.L. (see Note 2.14). On 4 January 2017 there was recorded in the Companies Registry of Madrid the deed executed on 20 December 2016 notarising the resolutions on the capital increases approved by the Extraordinary General Meeting of Shareholders of the Company on 13 December 2016.

As a result, at 31 December 2016 the share capital stood at €106,610,880 euros, represented by 35,536,960 shares each with a nominal value of €3.

All shares are of the same class and carry the same economic and political rights. These shares are listed on the electronic trading platforms of the Madrid and Barcelona stock exchanges.

Details of the Company's shareholders with stakes of 3% or higher at 31 December 2016 are as follows (as per the register of significant holdings kept by the CNMV):

| | 2016 | | | |
|---|---|---|---|---|
| Shareholders | No. of shares held directly | % direct ownership | No. of shares held indirectly | % indirect ownership |
| Ánpora Patrimonio, S.L. | 7,028,661 | 19.78% | - | - |
| Ricardo Portabella Peralta | - | - | 7,028,661 | 19.78% |
| Certimab Control, S.L. | 5,698,411 | 16.04% | - | - |
| Santiago Eguidazu Mayor | 660,209 | 1,86% | 6,072,171 | 17,08% |
| AV Málaga Capital, S.L. | 2,174,870 | 6.12% | - | - |
| Jose Antonio Abad | 340,038 | 0.96% | 2,426,428 | 6.82% |
| Direrval or, S.A. | 2,145,518 | 6.04% | - | - |
| Jorge Mataix Entero | 360,038 | 1.01% | 2,394,742 | 6.74% |
| Starr International Company, Inc | 1,699,891 | 4.78% | - | - |
| Starr International, AG | - | - | 1,699,891 | 4.78% |
| Otros socios | 15,275,304 | 42.98% | - | - |
| Acciones propias | 154,020 | 0.43% | - | - |
| | **35,536,960** | **100.00%** | **19,621,893** | **55.20%** |

Details of the Company's shareholders with stakes of 3% or higher at 31 December 2015 were as follows (as per the register of significant holdings kept by the CNMV):

| Shareholders | 2015 | | | |
|---|---|---|---|---|
| | No. of shares held directly | % direct ownership | No. of shares held indirectly | % indirect ownership |
| Ánpora Patrimonio, S.L. | 6,955,097 | 20.66% | - | - |
| Mr. Ricardo Portabella Peralta | - | - | 6,955,097 | 20.66% |
| Certimab Control, S.L. | 5,678,411 | 16.86% | - | - |
| Mr. Santiago Eguidazu Mayor | 660,209 | 1.96% | 6,052,171 | 17.98% |
| AV Málaga Capital, S.L. | 2,065,518 | 6.13% | - | - |
| Mr. Jose Antonio Abad | 440,038 | 1.31% | 2,314,742 | 6.87% |
| Direrval or, S.A. | 2,065,518 | 6.13% | - | - |
| Mr. Jorge Mataix Entero | 440,038 | 1.31% | 2,314,742 | 6.87% |
| Electra Private Equity Partners 1995 | 1,699,891 | 5.05% | - | - |
| Electra Partners LLP | - | - | 1,699,891 | 5.05% |
| Other partners | 13,603,590 | 40.41% | - | - |
| Treasury shares | 61,874 | 0.18% | - | - |
| | **33,670,184** | **100.00%** | **19,336,643** | **57.43%** |

During 2016, Electra Private Equity Partners 1995 sold all of the shares it held in Alantra Partners, S.A. to Star International Company, Inc.

As explained in Note 5, N+1 IBG shareholders signed a shareholders' agreement under which they assumed certain lock-up commitments. This agreement took effect on the date the Merger was entered in the Companies Register and will be automatically cancelled four years later.

Furthermore, after the issuance of the shares that have been received by the former shareholders of Downer & Company, LLC and certain shareholders of Alantra International Corporate Advisory, S.L., certain shareholders' agreements came into effect whereunder the new shareholders agreed to a lock-up of the shares of the Company obtained in the capital increases approved by the General Meeting of the Company on 13 December 2016 for a specified period of time. Those agreements came into effect on 18 January 2017 and will be automatically cancelled four years later.

**Share premium**

The Spanish Corporate Enterprises Act expressly permits the use of the share premium to increase capital and establishes no specific restrictions as to its use.

On 22 July 2015, the Company's Board of Directors resolved to distribute a dividend with a charge to the share premium reserve up to €19,394 thousand, which was approved by shareholders of the Company and N+1 IBG at the 29 April 2015 general meetings. The pay-out was performed the day after the new shares in the Company issued for the purposes of the share conversion in connection with the Merger were admitted to trading (see Note 1).

On 17 March 2016, the Board of Directors of the Company resolved to bring a proposal before the shareholders at the annual General Meeting to distribute shareholder remuneration against the share premium in a gross amount of €0.50 per share. That distribution was approved by the General Meeting of 27 April 2016 and totalled €16,645 thousand, which was paid out on 17 May 2016.

On 13 December 2016 the General Meeting of the Company approved a distribution of €8,787 thousand to shareholders against the share premium, the equivalent of a gross €0.25 per share, which was paid out to

shareholders on 31 January 2017. The amount pending payment is recorded under "Trade and other payables – Other payables" on the liabilities side of the consolidated balance sheet at 31 December 2016 (see Note 18).

**Reserves**

The breakdown, by type, of this line item in the consolidated balance sheets at 31 December 2016 and 2015 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Legal reserve | 20,202 | 57 |
| Statutory reserve | 13 | 13 |
| Other reserves | (58,151) | (91,378) |
| Reserves in consolidated companies | (2,684) | (583) |
| Reserves in companies accounted for using the equity method | 772 | (1,316) |
| | **(39,848)** | **(93,207)** |

*Legal and statutory reserve*

Pursuant to the revised text of the Spanish Corporate Enterprises Act, companies posting a profit in a financial year must transfer 10% of profit to the legal reserve until the balance of this reserve reaches at least 20% of the share capital, except when losses from previous years reduced the Company's equity to less than its share capital. In the latter case, profit shall be allocated to offset such losses until equity equals share capital, and will transfer 10% of the remaining profit to the corresponding legal reserve.

The legal reserve may be used to increase capital, provided that the remaining reserve balance does not fall below 10% of the increased share capital. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

***Other reserves***

"Other reserves" includes freely distributable reserves. Reserves are negative as a result of the Takeover described in Note 1 and the need to redefine share N+1 IBG's capital.

The "Other reserves" account includes the difference between the financial liability in respect of the put option for the benefit of 3Axis Involvement, S.L. (minority shareholders of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A.) —that put option implies recognising a liability at fair value instead of recognising minority shareholders— and the amount associated with the minority shareholders of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. at 31 December 2016 in the amount of €2,790 thousand (see Notes 2.14 and 17).

Furthermore, "Other reserves" likewise includes the negative reserve generated as a result of the capital increases carried out by Alantra International Corporate Advisory, S.L. and wholly subscribed and paid in by the shareholders of Alantra Deutschland GmbH by way of a non-monetary contribution of shares representing 40% of said entity, in the amount of €4,462 thousand (see Note 2.14).

*Reserves in consolidated Group companies and jointly-controlled entities*

The breakdown, by company, of this line item in the consolidated balance sheets at 31 December 2016 and 2015 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Alantra International Corporate Advisory (*) | (667) | 44 |
| Alantra Equity and Credit Management, S.A.U. | (246) | (253) |
| Alantra Investment Managers, S.L.U. (*) | 890 | 1,087 |
| Alantra Infrastructure, S.L.U. (*) | 1,189 | 376 |
| N+1 REIM UK LLP | - | (360) |
| Alantra Equities, securities dealer, S.A. | (1,590) | (1,665) |
| Alantra Asset Management, S.G.I.I.C., S.A.U. (*) | 500 | 500 |
| Baruch Inversiones, S.L. | 43 | 45 |
| Alantra Debt Solutions, S.L. | (196) | - |
| Nplus1 Credit Solutions LLP | - | (27) |
| Alantra Reim, S.L.U. | (627) | (330) |
| Alantra Wealth Management Gestión, S.G.I.I.C., S.A. (**) | (1,553) | - |
| Alantra Wealth Management, A.V., S.A. (**) | (427) | - |
| | **(2,684)** | **(583)** |

(*) Corresponds to the reserves contributed to the Alantra Group by each of the consolidated sub-groups therein (see Note 2.14).

(**) Companies accounted for using the equity method at 31 December 2015.

*Reserves in companies accounted for using the equity method*

The breakdown, by company, of this line item in the consolidated balance sheets at 31 December 2016 and 2015 is as follows:

| | Thousands of euros | |
|---|---|---|
| | | 31/12/2015 |
| Alantra Wealth Management Gestión, S.G.I.I.C., S.A. | - | (374) |
| Alantra Wealth Management, A.V., S.A. | - | (1,409) |
| Nplus1 Singer Ltd | 632 | 400 |
| Plusalpina Real Estate Advisors GmbH | - | (31) |
| Alpina Real Estate GP, S.A. | 106 | 124 |
| Alpina Real Estate GP I, S.A. | 42 | 20 |
| Alpina Real Estate GP II, S.A. | 62 | 37 |
| Alantra AG | (54) | (55) |
| Phoenix Recovery Management, S.L. | 12 | - |
| Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş. | 41 | 41 |
| Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. | (69) | (69) |
| | 772 | **(1,316)** |

**Treasury shares and own equity instruments**

On 18 February 2015, N+1 IBG acquired 10 and 20 Class E treasury shares for €35 thousand and €22 thousand, respectively, with the percentage of treasury shares held remaining within the legal limit. On 26 March 2015 and 16 June 2015, N+1 IBG also exercised all available purchase options and acquired 28,453 Class A and 61 Class E shares for €32 thousand. Further, on 29 June 2015 a share swap agreement was signed under which N+1 IBG ceded and transferred 6,290 Class A shares in exchange for 370 Class E shares. On the same date, N+1 IBG sold 431 Class E shares and 158 Class A shares. At the same time as the sale of shares, the Parties agreed to establish an in rem right over the Affected Shares, reserved in N+1 IBG's favour, through which the Buyers

(hereinafter, "Bare Owners") solely acquired bare ownership of the Affected Shares. The in rem right was established for a period between 29 June 2015 and 15 July 2019. After this term, the in rem right will be rendered null and void and the Bare Owners will take full control over the Affected Shares. The Company will receive payment for the sale of the Affected Shares from the Buyers between 16 July and 15 August 2019. These contracts were subject to the condition precedent concerning execution of the merger deed before 31 December 2015 (see Note 1).

On 7 July 2015, N+1 IBG sold 22,005 Class A shares to Ánpora Patrimonio, S.L. for €856 thousand. An amount of €725 thousand from this sale was recognised under "Reserves". At the date of formulating the Joint Merger Plan, N+1 IBG owned 51 Class E treasury shares, which had been redeemed. In connection with the business combination described in Note 1, Dinamia delivered a total of 21,504,158 shares, 52,818 of which were held by the Company at 31 December 2014. Subsequent to the Merger, 61,874 shares were purchased on the stock market, and those shares represent the treasury shares held by the Company at 31 December 2015.

Further, during 2016, 92.067 shares were purchased on the stock market, being the Company's treasury share portfolio of 153.941 shares at 31 December 2016.

**Other equity instruments**

On 26 March 2015 and 16 June 2015, N+1 IBG executed all the purchase options it availed of at 31 December 2014.

## 15. Non-controlling interests

The balance of this line item in the consolidated balance sheet comprises the value of the ownership interests of minority shareholders and partners in the subsidiaries. The balance under "Profit (loss) attributable to non-controlling interests" in the consolidated income statement represents the share of subsidiaries' profit or loss to which these minority shareholders and partners are entitled.

"Non-controlling interests" in the consolidated balance sheet at 31 December 2016 related to the ownership interests in the following companies:

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Capital | Reserves | Valuation adjustments | Translation differences | Profit (loss) for the year | Interim dividends | Total |
| Alantra, s.r.l. | 15 | 3 | - | - | 136 | - | 154 |
| Alantra Equities, Sociedad de Valores, S.A. | 1,000 | 398 | - | - | 915 | (900) | 1,413 |
| Alantra Corporate Portfolio Advisors, S.L.U. | 3 | 32 | - | - | 893 | (498) | 430 |
| Baruch Inversiones, S.L. | 148 | 54 | 767 | - | - | - | 969 |
| N+1 France Corporate Finance. S.A.S. | 374 | 53 | - | - | (27) | - | 400 |
| Alantra Debt Solutions, S.L. | 1 | (65) | - | - | 72 | - | 8 |
| Alantra Greece Corporate Advisors, S.A. | 6 | - | - | - | (27) | - | (21) |
| Másuno Portugal Coporate Finance, LDA | 5 | 85 | - | - | (28) | - | 62 |
| Alantra Nordics AB | 5 | 145 | - | (2) | (48) | - | 100 |
| C.W. Downer & Co. India Advisors LLP | - | (10) | - | - | (2) | - | (12) |
| | **1,557** | **695** | **767** | **(2)** | **1,884** | **(1,398)** | **3,503** |

(*) As a consequence of the swap of shares of Alantra Deutschland Gmbh for shares of Alantra International Corporate Advisory, S.L., at year-end the ownership interest in said company was 100%. Therefore, the "Non-controlling interests" heading of the consolidated balance sheet did not record the amounts attributable to non-controlling interests in 2016 that originated prior to the swap date, which are recognised in profit or loss attributable to non-controlling interests in the consolidated income statement in the amount of €315 thousand. In addition, in connection with the acquisition of the additional 27.01% of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A., a put

option was agreed over all shares of said companies owned from time to time by the minority shareholder, and a financial liability was therefore recognised for the fair value of the best estimate of the amount payable under "Non-current financial liabilities" in the consolidated balance sheet at 31 December 2016 (see Note 31). As a result, "Non-controlling interests" in the consolidated balance sheet did not record the amounts attributable to non-controlling interests in 2016, which are instead recognised in profit or loss attributable to non-controlling interests in the consolidated income statement for a total of €38 thousand.

"Non-controlling interests" in the consolidated balance sheet at 31 December 2015 related to the ownership interests in the following companies:

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Capital | Reserves | Valuation adjustments | Translation differences | Profit (loss) for the year | Interim dividends | Total |
| Alantra s.r.l. | 15 | 63 | - | - | 60 | - | 138 |
| Alantra Equities, Sociedad de Valores, S.A. | 1,000 | 324 | - | - | 734 | - | 2,058 |
| Alantra Deutschland GmbH | 10 | 675 | - | - | 205 | - | 890 |
| Alantra Corporate Portfolio Advisors, S.L.U. | 3 | 31 | - | - | 864 | (360) | 538 |
| Baruch Inversiones, S.L. | 148 | 56 | 824 | - | (9) | - | 1,019 |
| Nmás1 REIM France | 13 | (109) | - | - | (149) | - | (245) |
| N+1 France Corporate Finance. S.A.S. | 374 | 197 | - | - | (88) | - | 483 |
| Alantra Debt Solutions, S.L. | 1 | - | - | - | (65) | - | (64) |
| | **1,564** | **1,237** | **824** | **-** | **1,552** | **(360)** | **4,817** |

The changes in 2016 and 2015 in the balance of "Non-controlling" in the consolidated balance sheet were as follows:

| | Thousands of euros |
|---|---|
| Balance at 1 January 2015 | **6,253** |
| Profit (loss) for 2015 attributable to non-controlling interests | 1,552 |
| Other changes in equity attributable to non-controlling interests | 467 |
| Others (*) | (3,455) |
| **Balance at 31 December 2015** | **4,817** |
| Profit (loss) for 2016 attributable to non-controlling interests | 2,239 |
| Other changes in equity attributable to non-controlling interests | (59) |
| Others (*) | (3,494) |
| **Balance at 31 December 2016** | **3,503** |

(*) Basically includes the effect of the corporate transactions carried out in 2016 and 2015 with the dividend distribution as most significant effect. The most significant effect in 2015 was the non-application of the non-controlling interests of Alantra International Corporate Advisory, S.L. (see Note 2.14).

## 16. Non-current provisions

At 31 December 2014, the Company recognised a provision to cover the performance fee paid to its Management Company (Alantra Capital Privado, S.G.E.I.C., S.A.U.) for managing the Company's investees. This fee was calculated by multiplying the net gain generated by the Company from the sale of each investee by a remuneration rate of 20%. Alantra Capital Privado, S.G.E.I.C., S.A.U. passed on part of this performance fee to its employees by way of a bonus, which would be provisioned for and settled provided the conditions stipulated in the management contract between the Company and Alantra Capital Privado, S.G.E.I.C., S.A.U. are fulfilled. As

a result of the Merger described in Note 1 and the Company losing its status as a private equity firm, this contract was cancelled and the provision was not considered in the business combination. The part corresponding to the bonus payable by Alantra Capital Privado, S.G.E.I.C., S.A.U. to its employees for managing the Company's portfolio was however, kept on the books. "Non-current provisions" on the liabilities side of the consolidated balance sheet at 31 December 2016 and 2015 therefore includes the €535 thousand and €1,289 thousand, respectively, provision set aside for this bonus. At 31 December 2016 and 2015, it also included €256 thousand and €162 thousand, respectively, provisioned by certain foreign companies for various concepts.

In relation to the tax reversal due to impairment of securities representing equity in certain enterprises, described in Note 3-p (Royal Decree Law 3/2016), the Group recorded at year-end 2016 a tax liability of €1,053 thousand in respect of reversal of the impairment of the Grupo Gestión Integral Novolux holding, which turned out to be tax deductible in tax periods prior to 2013. That amount would cover the highly likely outflows in that respect, taking into consideration the potential economic, legal or contractual obstacles to sale or liquidation of the affected investments, as well as their specific circumstances, with the associated expense recorded under "Impairment losses and gains (losses) on disposal of financial instruments" in the 2016 consolidated income statement 2016 (see Note 27).

The movements recorded in 2016 and 2015 in the balance of "Non-current provisions" in the consolidated balance sheet are shown below:

| | Thousands of Euros |
|---|---|
| Balances at 1 January 2015 | - |
| Allocations with a charge to income | - |
| Recoveries released to income | - |
| Other | 1,451 |
| **Balances at 31 December 2015** | **1,451** |
| Allocations with a charge to income (*) | 1,147 |
| Recoveries released to income | - |
| Other (**) | (754) |
| **Balances at 31 December 2016** | **1,844** |

(*) Records the provision of €1,053 thousand for reversal of the impairment of the Grupo Gestión Integral Novolux holding that is recorded under "Impairment losses and gains (losses) on disposal of financial instruments" in the 2017 income statement. It also includes €94 thousand in other provisions associated with personnel expenses.

(**) Records €754 thousand for the variation in the provision for the success fee described further above.

## 17. Financial liabilities

### 17.1. Non-current financial liabilities

On 6 May 2016 the Group subscribed two loan facilities with Bankinter, S.A. for USD 2,312 thousand and €415 thousand. The euro loan bears interest from the contract signing date to 6 August 2016 at a fixed rate of 1.15%. After that date, a floating rate applies, referenced to the Euribor (which if negative will be taken as zero) plus 1.15%, revisable every 3 months. The USD loan bears floating interest referenced to the Libor (which if negative will be taken as zero) plus 1.15%. The interest on both loans is assessed and paid quarterly. The loans have a maturity date of 6 February 2020. Interest accrued during 2016 is recorded under "Finance costs" in the 2016

consolidated income statement. Also, at year-end the Group translated the USD loan to its functional currency at the year-end exchange rate and recorded a loss of €164 thousand under "Exchange differences" in the 2016 consolidated income statement. At 31 December 2016 the aggregate amount outstanding under those loans was €2,541 thousand (€2,126 thousand in foreign currency).

Also recorded under "Non-current financial liabilities" in the consolidated balance sheet at 31 December 2016 are €5,729 thousand in respect of the put option for the benefit of 3Axis Involvement, S.L. (minority shareholders of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A.) agreed in the Shareholders' Agreement between the parties (see Note 2.14). That put option implies recognising a liability at fair value instead of recognising minority shareholders of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. (see Note 2.14), which at 31 December 2016 amounted to €649 thousand and €2,290 thousand, respectively. Therefore, at 31 December 2016 the difference between the financial liability and the amount of non-controlling interests is recorded under "Reserves" on the liabilities side of the consolidated balance sheet at 31 December 2016 for €2,790 thousand (see Note 14).

Furthermore, at 31 December 2016 "Non-current financial liabilities" includes USD 2,500 thousand (€2,372 thousand) in respect of the second and third payment of the deferred cash consideration, and USD 1,400 thousand (€1,328 thousand) as the contingent consideration for 50% of the tax credits that Alantra Group recovers in a 5-year period, in relation to the acquisition by N+1 US Corporation, LLC of 48,258 shares of Downer & Company, LLC (see Note 2.14).

### 17.2 Current financial liabilities

The "Current financial liabilities" heading of the consolidated balance sheet at 31 December 2016 includes USD 1,250 thousand (€1,186 thousand) in respect of the first payment of the deferred consideration in the acquisition by N+1 US Corporation, LLC of 48,258 shares of Downer & Company, LLC (see Note 2.14). At the date these consolidated financial statements are prepared, said amount has been paid.

Furthermore, at 31 December 2016 "Current financial liabilities" records the additional amount payable in relation to the acquisition of 25% of Alantra AG that was covenanted in the agreement signed by the parties on 30 May 2014, which was fixed at 25% of six times the average EBITDA of Alantra AG in 2014, 2015 and 2016 less the initial sum payable, up to a maximum of €5,000 thousand, and which finally amounted to €72 thousand.

## 18. Trade and other payables

### 18.1. Suppliers

At 31 December 2016 and 2015, "Trade and other payables – Suppliers" included the balances payable by the Group to various suppliers in connection with its normal operations (see Note 26).

### 18.2. Other payables

"Trade and other payables – Other payables" on the liabilities side of the consolidated balance sheet at 31 December 2016 and 2015 were as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Wages and salaries payable (Notes 5 and 24) | 25,523 | 15,503 |
| Tax payables (Note 18) | 4,713 | 5,017 |
| Other debts | 9,911 | 637 |
| | **40,147** | **21,157** |

The balance of the line item "Wages and salaries payable" above includes remuneration payable to members of the Company's Board and Executive Committee totalling €1,936 thousand at 31 December 2016 (31 December 2015: €1,399 thousand) -see Note 5-.

At 31 December 2016, "Wages and salaries payable" also included remuneration payable to the Group's key management personnel of €2,820 thousand (31 December 2015: €2,037 thousand).

"Wages and salaries payable" at 31 December 2016 also includes €20,397 thousand (€12,067 thousand at 31 December 2015) in remuneration pending payment to employees.

The balance of "Wages and salaries payable" in the table above includes at 31 December 2016 the €370 thousand owed by the Group to certain employees of Alantra Asset Management, S.G.I.I.C., S.A.U. under the multi-year extraordinary incentive programme approved by said company's Board of Directors on 21 June 2016. That multi-year extraordinary incentive programme consists of the result of the Company's investment in Class C shares of EQMC FIL on 30 June 2016, which will be redeemed at 31 December 2018 (see Note 9.2). The effect of not classifying said amount in non-current liabilities is not material for these consolidated financial statements.

At 31 December 2016 and 2015, the balance of "Other debts" shown in the breakdown above included the balance payable to former partners of Nmás1 Mercapital, S.L.U. for the Company's acquisition of the non-controlling interest in the capital thereof for €66 thousand and €530 thousand, respectively (see Note 2.14).

"Other debts" above also includes the €8,787 thousand pending payment to shareholders as a result of the distribution of shareholder remuneration payable against the share premium approved by the General Meeting of the Company's shareholders on 13 December 2016 (see Note 14).

Lastly, "Other debts" above also includes €900 thousand in respect of the dividend pending payment by Alantra Equities, S.V., S.A. to minority shareholders.

## 19. Tax matters

The Company files consolidated tax returns for the tax group of which it is the parent (see Note 3 p). Companies out of the tax group are taxed at the rates applicable to them (see section iv).

*i. Current tax receivables and payables*

At 31 December 2016 and 2015, "Trade and other receivables – Other receivables" on the assets side of the consolidated balance sheet included the following balances with public authorities (see Note 10):

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| VAT recoverable | 114 | 167 |
| Other receivables from public authorities | - | - |
| | **114** | **167** |

At 31 December 2016 and 2015, "Trade and other payables – Other payables" on the liabilities side of the consolidated balance sheet included the following balances with public authorities (see Note 18):

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| VAT payable | 1,801 | 1,370 |
| Tax withholdings payable | 2,416 | 3,077 |
| Social security payable | 496 | 570 |
| | **4,713** | **5,017** |

*ii. Reconciliation of accounting profit and taxable income*

The reconciliation of accounting profit to taxable income vis-à-vis corporate tax (tax group) in 2016 and 2015 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Profit for the period before tax | 32,583 | 71,404 |
| Permanent differences: | | |
| Decreases | (30,975) | (68,737) |
| Increases | 9,269 | 7,210 |
| Temporary differences: | | |
| Decreases | (19) | (19) |
| Increases | 1,407 | 37 |
| **Taxable income** | **12,265** | **9,895** |

"Permanent differences – Decreases" for 2016 and 2015 breaks down as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Profit before tax of companies outside the tax group | 12,885 | 8,209 |
| Tax exemption of dividends from foreign companies | 4,444 | 3,864 |
| Reversal of impairment of financial assets | 935 | - |
| Gains from business combinations | - | 53,561 |
| Gains from investees | 12,711 | 2,967 |
| Other | - | 136 |
| **Permanent differences** | **30,975** | **68,737** |

"Permanent differences – Increases" for 2016 and 2015 breaks down as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Dividends from entities outside the tax group | 6,874 | 5,982 |
| Non-deductible expenses | 501 | 1,228 |
| Provisions and impairment | 1,894 | - |
| **Permanent differences** | **9,269** | **7,210** |

"Temporary differences" for 2016 and 2015 breaks down as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Impairment | 1,373 | - |
| Accelerated depreciation | 34 | 37 |
| Non-tax deductible depreciation | (19) | (19) |
| **Temporary differences** | **1,388** | **18** |

The provision for corporate tax of the companies inside the tax group (see Note 3 p)), net of withholdings and payments on account, has a balance receivable of €9,171 thousand, recognised under "Trade and other receivables – Current tax assets" on the assets side of the consolidated balance sheet at 31 December 2016 (receivable of €5,862 thousand at 31 December 2016).

The provision for corporate tax of the companies outside the tax group, net of withholdings and payments on account, also has a balance receivable of €142 thousand, and a balance payable of €1.909 thousand. These balances are recognised under "Trade and other receivables – Current tax assets" on the assets side of the consolidated balance sheet at 31 December 2016 and "Trade and other payables – Current tax liabilities" on the liabilities side of the consolidated balance sheet at 31 December 2016, respectively (receivable of €1,240 thousand in the case of Alantra Deutschland GmbH and payable of €1,113 thousand in respect of the rest of the companies), that were recorded under "Trade and other payables – Current tax assets" on the assets side of the consolidated balance sheet at 31 December 2015 and under "Trade and other payables – Current tax liabilities" on the liabilities side of the consolidated balance sheet at 31 December 2016, respectively.

*iii. Tax recognised in equity*

Details of tax recognised directly in equity as a result of the valuation adjustments to the Group's investments at 31 December 2016 and 2015 are as follows (see Note 9):

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Deferred tax assets | | Deferred tax liabilities | |
| | 2016 | 2015 | 2016 | 2015 |
| Balance at the beginning of the period | - | - | 1,130 | 210 |
| Increases | 342 | - | 439 | 930 |
| Decreases | - | - | (36) | (10) |
| **Balances at the end of the period** | **342** | **-** | **1,533** | **1,130** |

*iv. Reconciliation between accounting profit and corporate tax expense*

The reconciliation of consolidated accounting profit and corporate tax expense for 2016 and 2015 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Accounting profit before tax | 32,583 | 71,404 |
| Tax payable (*) | 8,146 | 19,993 |
| Impact of permanent differences | (5,427) | (17,228) |
| Deductions | | |
| Due to double taxation | (608) | (593) |
| Other tax relief | - | (2) |
| Increases in corporate tax for the year | 85 | (11) |
| **Total corporate tax expense recognised in the income statement** | **2,196** | **2,159** |

(*) Amount calculated at 25% of accounting profit before tax in 2016 (28% in 2015) (see Note 3 p)).

The corporate tax expense of companies outside the tax group and not accounted for using the equity method at 31 December 2016 was as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Profit (loss) before tax | Corporate tax expense | Profit (loss) before tax | Corporate tax expense |
| QMC Directorship, S.L.U. | 2 | - | 126 | 35 |
| Nmás1 REIM France | - | - | (598) | - |
| N+1 REIM UK LLP | - | - | (68) | - |
| Baruch Inversiones, S.L. | 1 | - | (16) | - |
| Alantra Equities, Sociedad de Valores, S.A. | 2,441 | 610 | 1,883 | 413 |
| Alantra Corporate Portfolio Advisors, S.L. | 3,967 | 992 | 4,002 | 1,120 |
| Alantra SRL | 1,446 | 541 | 452 | 199 |
| Alantra Deutschland, GmbH | 2,948 | 948 | 752 | 240 |
| N+1 France Corporate Finance SAS | (67) | - | (350) | - |
| Alantra Corporate Finance, B.V. | (168) | - | (104) | - |
| Alteralia Management, S.á.r.l. | (5) | 2 | - | - |
| N+1 US Corporation LLC | (343) | - | - | - |
| Alantra LLC | 763 | - | - | - |
| Másuno Portugal Corporate Finance, Unipessoal LDA | (188) | - | - | - |
| Alantra Nordics AB | (240) | - | - | - |
| Alantra Greece Corporate Advisors, S.A. | (222) | - | - | - |
| EQMC GP LLC | (31) | - | - | - |
| Alantra Wealth Management, A.V., S.A. | 227 | - | - | - |
| Alantra Wealth Management Gestión, S.G.I.I.C., S.A. | (146) | - | - | - |
| Nmás1 Chile Spa | (20) | - | - | - |
| Alantra Dinamia Portfolio II, S.L. | - | - | (2) | - |
| Nmás1 Private Equity International Limited, S.á.r.l. | - | - | - | - |
| **Total** | **10,365** | **3,093** | **6,077** | **2,007** |

The corporate tax expense for 2016 and 2015 of the tax group, which totalled €2,196 thousand and €2,159 thousand respectively, was recognised under "Income tax" in the consolidated income statement. In 2016 and 2015, "Income tax" in the consolidated income statement also included €3,093 thousand and €2,007 thousand, respectively, of corporate tax borne by the non-Group companies not included in the tax group.

*v. Breakdown of corporate tax expense*

Details of the corporate tax expense of the tax group for 2016 and 2015 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| **Current tax:** | | |
| On income from continuing operations (*) | 2,459 | 2,176 |
| On income from discontinued operations | | |
| **Deferred tax:** | | |
| On income from continuing operations | (263) | (17) |
| On income from discontinued operations | - | - |
| **Total corporate tax expense** | **2,196** | **2,159** |

*vi. Recognised deferred tax assets and liabilities5*

Details of these line items in the consolidated balance sheet at the 2016 and 2015 year-ends were as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Deferred tax assets | | Deferred tax liabilities | |
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| **Temporary differences:** | | | | |
| Depreciation of property and equipment | 26 | 46 | 39 | 47 |
| Valuation adjustments | 342 | - | 1,533 | 1,130 |
| Losses in investees | 265 | - | 313 | 391 |
| Tax loss carryforwards (Note 2.14) | 2,144 | - | - | - |
| Other | 92 | - | 32 | - |
| **Total deferred tax assets** | **2,869** | **46** | **1,917** | **1,568** |

Deferred tax assets were recognised in the consolidated balance sheet by the Group since its directors consider that, based on the best estimates of the Group's future results, including certain tax planning measures, it is likely that these assets will be recovered.

*vii. Tax loss carryforwards*

Pursuant to the tax returns submitted, the Company has the following tax loss carryforwards pending offset against possible future taxable income, which were generated prior to starting to file consolidated corporate tax returns and before the Merger (none of which has been recognised as a deferred tax asset at 31 December 2016 and 2015):

| Year generated | Thousands of euros (*) |
|---|---|
| 2002 | 6,442 |
| 2005 | 1,301 |
| 2006 | 4,836 |
| 2007 | 10,701 |
| 2008 | 4,733 |
| 2009 | 14,752 |
| 2010 | 13,734 |
| 2011 | 5,685 |
| 2012 | 15,701 |
| 2014 | 11,665 |
| 2015 | 597 |
| | **89,697** |

(*) Tax loss carryforwards pending offset of the Company and N+1 Reim France which may be offset up to the limit of the individual tax bases of said companies.

The Directors of the Company estimate that the current conditions do not allow deferred tax assets to be recognised in respect of these losses insomuch as the Company is not considered likely to have a sufficient individual level of tax profits to allow their offset.

In addition, the tax loss carryforwards of Alantra Wealth Management, A.V., S.A. and Alantra Wealth Management Gestión, S.G.I.I.C., S.A. that may be set off in future Corporate Tax filings up to the limit of the individual tax bases of said companies are as follows:

| Year generated | Thousands of euros |
|---|---|
| 2010 (*) | 1,866 |
| 2011 (*) | 2,918 |
| 2012 (*) | 1,981 |
| 2013 (*) | 794 |
| 2014 (*) | 157 |
| 2015 (*) | 858 |
| | **8,574** |

(*) Those tax loss carryforwards have been recognised as a consequence of the business combination described in Note 2.14.

The above tax bases have not been adjusted for the offset of tax loss carryforwards for 2016.

Spanish Corporate Tax Act 27/2014 of 27 November, abolishes the temporary restriction on applying tax loss carryforwards, establishing a quantitative limit of 70% of taxable income prior to offset and accepting, in all cases, an amount of €1 million. Nonetheless, General State Budget Act 17/2012 of 26 December, determines for 2015 that, with effect from the tax periods starting in 2016, the offset limit will be 60% (and not 70% as generally established in the aforesaid Act 27/2014).

In addition, Royal Decree Law 3/2016 of 2 December introduces an Additional Provision 15 to the Corporate Tax Act 27/2014 of 27 November that provides that, for the 2016 tax year, offset of tax loss carryforwards from previous years, by taxpayers with net turnover of €20 million or higher in the 12 months preceding the opening date of the tax period, the following special provisions shall apply:

- Offset of tax loss carryforwards will be limited to 50 percent of the tax base prior to application of the capitalisation reserve provided in Article 25 of said Act 27/2014 of 27 November, and to said offset if the net turnover in those 12 months is more than €20 million but less than €60 million.

- Offset of tax loss carryforwards will be limited to 25 percent of the tax base prior to application of the capitalisation reserve provided in Article 25 of said Act 27/2014 of 27 November, and to said offset if the net turnover in those 12 months is €60 million or higher.

*viii. Years open for review and tax audits*

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations in Spain has expired. At the 2016 reporting close, the Group had open to inspection the main applicable taxes in Spain for 2012 and thereafter. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying consolidated financial statements.

*ix Takeover*

The Merger described in Note 1 is subject to the special regime for mergers, spin-offs, asset contributions and security exchanges regulated in Chapter VII of Corporate Income Tax Act 27/2014 of 27 November. According to this law, the assets and rights included in the equity received through the aforesaid Merger are measured, for tax purposes, at the same values recognised by the transferor prior to the transaction. Under said special regime, the Merger is exempt from property conveyance tax and stamp duty on corporate transactions and is VAT exempt.

The following points should be made with regard to prevailing corporate tax law:

- No depreciable assets have been included in the accounting records of the Company (acquirer for accounting purposes).
- The balance sheet closed by the transferor (company taken over for accounting purposes) served as basis for the merger and was included in the annual financial statements of Company for the year in which the merger was executed.
- There are no tax benefits that were enjoyed by the transferor, which entail the acquirer (the Company) assuming the duty to fulfil certain requirements.

## 20. Risk management

The Group is exposed to credit risk, interest rate risk, market risk, operational risk and liquidity risk. Measures have therefore been put in place to manage the financial risks to which it is exposed. The main financial risks to which the Group is directly exposed are as follows:

*Credit risk*

Credit risks results from the possibility of incurring a loss due to the Group's customers or counterparties failing to settle their financial obligations with the Group in part or in full. At 31 December 2016 and 2015, the Group's exposure to credit risk, by type of debtor, is shown below (not including assets classified as "available-for-sale financial assets" and "other assets at fair value through profit and loss" or balances with public authorities):

| | Thousands of Euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Non-current financial assets (see Note 9) | 13,656 | 25,113 |
| Trade and other receivables – Trade receivables (see Note 10) | 26,539 | 20,472 |
| Trade and other receivables – Other receivables (see Note 10) | 4,040 | - |
| Other current financial assets (see Note 11) | 750 | 60 |
| | **45,727** | **45,645** |

The entity has significant concentration in relation to the deferred payments associated with the sale of 92.5% of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A., which amount to €12,279 thousand (see Notes 9.4 and 10.2), although that figure is considerably lower than at 31 December 2015 (€22,547 thousand) and declined a further €3,766 thousand after year-end, down to €8,513 thousand. That sum falls due on December de 2017, and is collateralised by assets measured at more than €80,000 thousand. The Company thus considers that the credit risk associated with that transaction is mitigated.

Also of note is the Company's interest in Tamsi, S.L. of €1,173 thousand (see Notes 9.4 and 11). Of that amount, €750 thousand fall due on 19 April 2017 (see Note 9.4), and the Company estimates that there are no problems in its recoverability. There are also loans outstanding to the former shareholders of Downer & Company, LLC in the amount of €2,636 thousand (see Note 9.3). The Group holds a pledge over shares of the Company (owned by said shareholders) for those loans and the credit risk is therefore mitigated.

The Company periodically monitors the credit quality of its counterparties. In this regard, the Directors of the Company estimate that at present there is no significant credit risk in relation to its receivables from the various counterparties.

The Group carries €26,539 thousand in customer receivables for sales and services with no significant concentration in any one customer.

In relation to the balances with the above customers, who do not have a specific credit rating, they are submitted to individualised analysis based on knowledge of the customer's history and the age of the outstanding payments.

The accompanying table gives a breakdown of the sums fallen due on financial assets not classified as impaired at year-end 2016 and 2015.

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| | Between 4 and 6 months | Between 4 and 6 months |
| **Due financial assets and not impaired** | | |
| Non-current financial assets | | |
| Available for- sale financial assets | - | - |
| Other financial assets at fair value through profit or loss | - | - |
| Loans | - | - |
| Other financial assets | - | - |
| Trade and other receivables | | |
| Trade receivables | 465 | 167 |
| Other receivables | - | - |
| Other current financial assets | - | - |
| **Balances at the end of the period** | **465** | **167** |

In addition, the Group conducts an individualised analysis of each of the debtors when testing for and recognising possible impairment, mainly considering the age of the outstanding payments in the case of trade receivables and credit quality and internal analysis of solvency for non-current financial assets. There follows a breakdown of doubtful and impaired financial assets at year-end 2016 and 2015, grouped by consolidated balance sheet headings.

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Amount | Provision | Amount | Provision |
| **Doubtful or impaired financial assets** | | | | |
| Non-current financial assets | | | | |
| Available for- sale financial assets | - | - | - | - |
| Other financial assets at fair value through profit or loss | - | - | - | - |
| Loans (note 9.3) | 14,617 | (14,037) | 13,987 | (13,987) |
| Other financial assets (current and non-current - see Note 9.4.) | 1,483 | (310) | 1,549 | (310) |
| Trade and other receivables | | | | |
| Trade receivables (note 10.1) | 3,150 | (3,150) | 2,551 | (2,551) |
| Other receivables | - | - | - | - |
| Other current financial assets | - | - | - | - |
| **Balances at the end of the period** | **19,250** | **(17,497)** | **18,087** | **(16,848)** |

As regards cash balances, the counterparties for more than 97% of the sight deposits held by companies in the Alantra Group are entities with investment grade long-term credit ratings (between "AAAA" and "BBBBB-" on the Standard & Poor's scale).

The Group also carries out an individual analysis of investments accounted for using the equity method, recognising any impairment as necessary (see Note 8). Available-for-sale financial assets are tested for impairment on an individual basis (see Note 9).

*Liquidity risk*

In order to ensure ongoing liquidity and the ability to service all the payment commitments arising from its business operations, the Group holds the cash and cash equivalent balances shown in the consolidated balance sheet, availing of high liquidity level and of ample working capital. The Alantra Group includes three investment firms subject to the requirement that they must hold the equivalent of 10% of their total eligible liabilities in low-risk, highly liquid assets. At 31 December 2016, Alantra Equities, SV, SA, and Alantra Capital Markets, SV, SA and Alantra Wealth Management AV, S.A. all were in compliance with that requirement.

Liquidity risk management involves regularly analysing cash inflows and outflows, estimating how much cash and cash equivalents will be available in the future under different scenarios. At 31 December 2016, cash and cash equivalents totalled €101,612 thousand (see Note 13). It was not necessary to draw down on any lines of credit during the year to cover running costs.

The Group has a classic service company business model: high margin and stable and reasonably predictable overheads. On a daily basis, the Group also monitors its cash and cash equivalents and estimated cash receipts and cash payments due in the near term.

The Group's most significant cash outflows not associated with running costs comprise dividend pay-outs to its shareholders, for which the directors prepare an accounting statement evidencing the existence of sufficient liquidity to cover any pay-outs and a provisional cash and cash equivalents breakdown for the following months that also demonstrates the Group is capable of covering any estimated cash outflows, as per prevailing legislation.

*Market risk*

This risk stems from changes in risk factors concerning interest rates, exchange rates, equities and the volatility thereof, as well as the solvency and liquidity risk to which the various products used by the Group are exposed. Interest rate risk primarily affects the value of fixed-income instruments, especially those with a longer term to maturity. In 2016, the Group held no significant positions in fixed-income instruments with a maturity of over a month, whereby interest rate risk is limited. Most of the investments in equity or capital instruments are in private equity firms and CISs managed by Group companies. These investments are subject to market risk. The time horizon for investing in this type of instrument is long term and the liquidity thereof is specified in the corresponding prospectuses. Vis-à-vis contingent risks related with market risk, the Group has committed to investing €40,418 thousand in the fund Private Equity Fund III managed by the Group company Alantra Capital Privado, SGEIC, S.A., 85% of which will primarily be paid in the first five years (up to 2021). This investment will pose a material risk to the Group and its position will be continuously monitored by the Audit and Risk Control Committee and the Board of Directors.

The Group will prudently manage market risk posed by investing cash and cash equivalents, and will not invest in financial instruments that entail market risk.

The Alantra Group's exchange rate risk mainly arises from its international presence with businesses in countries with non-euro currencies at 31 December 2016 (United States, United Kingdom, Switzerland, Sweden, Chile,

India and China), as well as from payments received in foreign currency and other types of financial instruments held in the Company's portfolio.

The Alantra Group does not carry financial debt, either in euro countries or in non-euro countries, which significantly reduces exchange rate risk, as there is no indebtedness in the countries where it does business.

Although the Alantra Group has expanded its international presence significantly, given the overall position in balances denominated in foreign currency, the aforesaid absence of financial debt and the relative weight of the impact on Group equity that would arise from depreciation of the other currencies versus the euro, the Group did not regard it as necessary to make hedging arrangements in 2016 and 2015. Nevertheless, cash management is used to minimise any negative effects on its financial statements of the exposure to different currencies.

To illustrate the sensitivity of earnings and equity to changes in exchange rates, the accompanying table shows sensitivity to fluctuations in the exchange rate of the currencies in which the Alantra Group operates.

| | **+10%** | |
|---|---|---|
| | **Impact on the consolidated income statement** | **Impact on the consolidated equity** |
| Pound sterling | (641) | (1,313) |
| US Dollar | (3,482) | - |
| Swiss franc | - | (278) |
| Chilean Peso | - | (344) |
| Swedish Krona | (48) | - |
| Yuan | (3) | - |
| **Total** | **(4,174)** | **(1,934)** |

| | -10% | |
|---|---|---|
| | Impact on the consolidated income statement | Impact on the consolidated equity |
| Pound sterling | 783 | 1,605 |
| US Dollar | 4,354 | - |
| Swiss franc | 0 | 340 |
| Chilean Peso | 0 | 420 |
| Swedish Krona | 58 | - |
| Yuan | 4 | - |
| **Total** | **5,200** | **2,364** |

Details of the positions held by the Group in foreign currencies at 31 December 2016 and 2015 and their euro equivalents are disclosed in Note 3 t).

The investment in Downer&Company, LLC and dividend income received therefrom are exposed to equity and exchange rate risks. The Group regularly analyses the volatility of the equities and currency markets. In 2016, the Group did not arrange any hedges of market risk involving the procurement of equity or foreign exchange derivative financial instruments. Nevertheless, the Control and Risks Committee regularly monitors the Group's risks and may propose the use of hedges.

Given the nature of the Alantra Group companies' business, the Group's exposure to market risk depends on the performance of the companies in which the vehicles in which the Group has a stake invest, most of which are managed by the Group and primarily comprise non-listed companies (see Note 9.1).

The Group's management considers that managing the risks assumed when conducting its activities enables it to quickly detect any issues and therefore, rapidly react and take any steps needed to resolve them.

Internal control procedures and the structure for managing assumed risks were established according to the Group's activities, the nature of its customers and the volume of such activities. The Group's governing bodies therefore consider risks are adequately managed. The Board of Directors does, however, continuously monitor the management of the risks to which the Group is exposed when carrying out its different activities.

*Impact of Brexit*

The Group holds a significant interest in N+1 Singer, a company with registered office in the UK whose business could be conditioned by reduced activity in capital markets if that country's GDP declines. The Group has also set up a UK branch of the company Alantra Capital Markets to be able to market the products managed by the Group

in the UK, and has stepped up the activity of the company ICA to increase its investment banking capacity in that country.

The Alantra Group is therefore exposed to possible restrictions on the free movement of persons and capital that could arise if the UK leaves the European Union.

The Group works to mitigate those possible impacts through its international diversification strategy, and will continuously monitor the political and regulatory changes that may be brought about by Brexit.

## 21. Capital management

The Group's strategy for managing capital involves maintaining higher levels of capital than are required under existing regulations (see Note 2.9). The Group therefore regularly assesses its risk management and control and governance structure to ensure it is fit for purpose regarding fulfilment of said capital targets at the same time as allowing business objectives to be reached. The Group also quantifies it overall capital requirements on a regular basis, using overarching and forward-looking internal models considering various stress scenarios affecting the most relevant model variables. Future action plans are then drawn up based on the outcomes of the analysis to further enhance the adequate management of capital.

The Group boasted high levels of eligible capital surpluses at 31 December 2016. The main capital requirements are determined by credit risk and operational risk. The standardised approach is used to calculate the capital requirements to cover credit risk, while the basic approach is employed for the capital requirements to cover operational risk, which is correlated with changes in average net income over the last three years.

The Group continuously analyses its global risk profile and capital adequacy using a risk map; identifying and registering new risk situations and monitoring exposure using risk indicators and the possible loss events due to process failures, possible legal action, etc. The potential impact on capital and the solvency ratio is assessed. The materiality thereof is classified based on the potential impact on the financial statements.

## 22. Related parties

Details of transactions with related parties at 31 December 2016 and 2015 are as follows (excluding investments accounted for using the equity method (see Note 8) and investments in the vehicles managed by the Group (see Note 9)):

*a) Transactions with Group companies and shareholders*

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Jointly-controlled entities and associates | | Company shareholders | |
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| **ASSETS:** | | | | |
| Non-current financial assets (Note 9) | | - | 3,025 | - |
| Trade and other receivables | | | | |
| Trade receivables (Note 10) | 981 | 1,409 | - | - |
| Other receivables (Note 10) | - | 96 | - | - |
| Other current financial assets | - | - | - | 60 |
| | **981** | **1,505** | **3,025** | **60** |
| **LIABILITIES:** | | | | |
| Non-current financial liabilities | | | 3,700 | - |
| Trade and other payables – Suppliers (Note 17) | 120 | 80 | - | - |
| Current financial liabilities | - | - | 1,186 | - |
| | **120** | **80** | **4,886** | - |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Jointly-controlled entities and associates | | Company shareholders | |
| | 2016 | 2015 | 2016 | 2015 |
| **PROFIT AND LOSS:** | | | | |
| **Income** | | | | |
| Revenue (Note 23) | 1,433 | 1,367 | - | - |
| Finance income | - | - | 27 | - |
| **Expenses** | | | | |
| Other operating expenses | 366 | 366 | - | - |

*b) Transactions with members of the Board of Directors and key management personnel*

Information on the remuneration accrued by the boards of directors of the Company and its subsidiaries and the Group's key management personnel, along with any loans and advances awarded directly to the Group's Board and key management personnel is disclosed in Note 5.

## 23. Revenue and expenses

The contributions to the Group's profit or loss for 2016 and 2015 by each company included in the scope of consolidation were as follows:

| | Thousands of euros | |
|---|---|---|
| | Profit (loss) | |
| | 2016 | 2015 |
| Alantra Partners, S.A. | (637) | 51,844 |
| Fully-consolidated companies | 23,172 | 11,800 |
| Companies accounted for using the equity method (*) | 2,520 | 2,042 |
| | **25,055** | **65,686** |

Details of the profit and loss of each of these companies are as follows:

| | Thousands of Euros | |
|---|---|---|
| | Profit (loss) | |
| | 2016 | 2015 |
| **Fully consolidated companies:** | | |
| Alantra Equity and Credit Management, S.A.U. | 378 | 7 |
| Nplus1 Credit Solutions, LLP (*) | - | - |
| Alantra Investment Managers, S.L.U. | (8) | (24) |
| Alantra Capital Privado, S.G.E.I.C., S.A.U. | 1,616 | 1,258 |
| Alantra Capital Privado Servicios, S.L.U. | (64) | (98) |
| Alantra Private Equity Advisor, S.A.U. | 48 | (98) |
| Nmás1 Private Equity International S.á.r.l. | - | - |
| Mercapital Private Equity, S.G.E.I.C., S.A.U. | 1,222 | 1,442 |
| Paulonia Servicios de Gestión, S.L.U. | (1) | - |
| Partilonia Administración, S.L.U. | - | - |
| Mideslonia Administración, S.L.U. | - | - |
| Flenox, S.L.U. | - | (1) |
| EQMC GP LLC | (31) | - |
| Alteralia Management S.à.r.l. | (7) | - |
| Alantra Infrastructure, S.L.U. | (618) | 2,113 |
| Alantra International Corporate Advisory, S.L. | (1,514) | (640) |
| Alantra Corporate Finance, S.A.U. | 4,627 | 4,433 |
| Alantra Corporate Portfolio Advisors, S.L. | 2,083 | 2,017 |
| Alantra Deutschland GmbH | 1,685 | 307 |
| Alantra s.r.l. | 769 | 195 |
| Alantra Corporate Finance B.V. | (168) | (104) |
| N+1 France Corporate Finance, S.A.S. | (40) | (263) |
| N+1 U.S. Corporation LLC | (343) | - |
| Alantra, LLC (***) | 765 | - |
| N+1 REIM UK, LLP (*) | - | (67) |
| Alantra Nordics AB | (192) | - |
| Másuno Portugal Coporate Finance, Unipessoal LDA | (160) | - |
| Alantra Greece Corporate Advisors, S.A. | (194) | - |
| Nmás1 Chile SPA | (1,289) | - |
| Alantra Equities, securities dealer, S.A. | 916 | 735 |
| Alantra Asset Management, S.G.I.I.C., S.A.U. | 1,687 | 960 |
| QMC Directorship, S.L.U. | 2 | 92 |
| Alantra Debt Solutions, S.L. | 217 | (196) |
| Alantra REIM, S.L.U. | 181 | - |
| Nmás1 REIM Spain, S.L.U. (**) | - | 190 |
| Nmás1 REIM France (*) | - | (448) |
| Baruch Inversiones, S.L. | - | (8) |
| Alantra Dinamia Portfolio II, S.L.U. (*****) | 11,449 | (2) |
| Alantra Capital Markets, S.V., S.A.U. | 116 | - |
| Alantra Wealth Management Gestión, S.G.I.I.C., S.A. (****) | (73) | - |
| Alantra Wealth Management, A.V., S.A. (****) | 113 | - |
| | **23,172** | **11,800** |

(*) Entities sold / liquidated / wound up during 2016 (see Note 2.14).

(**) Entity involved in a merger in 2016.

(***) Figures for the Alantra, LLC subgroup.

(****) Companies consolidated using the equity method in 2015.

(*****) The profit for 2016 was primarily from the sale of High Tech Hotels & Resorts, S.A. (see Notes 9.2 and 27).

| | Thousands of Euros | |
|---|---|---|
| | Profit (loss) | |
| | 2016 | 2015 |
| **Companies consolidated using the equity method (Note 8):** | | |
| Alpina Real Estate GP, S.A. | 3 | 217 |
| Alpina Real Estate GP I, S.A. | (12) | (28) |
| Alpina Real Estate GP II, S.A. | (6) | 39 |
| Plusalpina Real Estate Advisors GmbH (**) | - | 457 |
| Alantra Wealth Management, A.V., S.A. (****) | - | (144) |
| Alantra Wealth Management Gestión , S.G.I.I.C., S.A. (****) | - | (43) |
| Nplus1 Singer Ltd (*) | 1,875 | 1,422 |
| Alantra AG | 540 | 110 |
| Landmark Capital, S.A. (***) | 94 | - |
| Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş. | - | - |
| Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. | - | - |
| Phoenix Recovery Management, S.L. | 26 | 12 |
| | **2,520** | **2,042** |

(*) Figures for Nplus1 Singer sub-group.

(**) Entities sold in 2016.

(***) Figures for Landmark Capital, S.A. sub-group.

(****) Companies fully consolidated in 2016 (see Note 2.14).

The contribution to profit and loss of each company included in the previous table was obtained from each of their separate results (see Note 2.14), after the adjustments to present their figures on a uniform basis and on consolidation, the most significant of which was the elimination of dividends paid out among Group companies.

## 24. Revenue

Revenue comprises the income from services provided during the year and accrued fees and commissions, except those that form an integral part of the effective interest rate on financial instruments. It also includes the income transferred to third parties for joint execution in 2016 and 2015.

Details of fees and commissions received and income transferred to third parties for joint execution in 2016 and 2015 were as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Income from provision of services | 93,910 | 67,458 |
| Transfers to third parties for joint execution | (3,693) | (2,165) |
| | **90,217** | **65,293** |

### 24.1 Income from provision of services

The breakdown of "Income from provision of services" shown in the above table for 2016 and 2015 was as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Processing and execution of orders to buy and sell securities | 4,327 | 3,873 |
| Preparation of investment reports and financial analysis | 2,751 | 2,110 |
| Management and administration of CISs | 11,440 | 8,841 |
| Discretionary portfolio management | 358 | 165 |
| Administration and management of private equity firms | 13,170 | 10,626 |
| Provision of business and advisory services | 59,115 | 38,215 |
| Search for and placement of packages in secondary markets | 905 | 1,213 |
| Marketing of collective investment schemes | 1,194 | - |
| Other income | 650 | 2,415 |
| | **93,910** | **67,458** |

***a) Processing and execution of orders to buy and sell securities***

The line item "Processing and execution of orders to buy and sell securities" shown above comprises the fees and commissions received by the Group in 2016 and 2015 for brokering equity trades on Spanish and international markets.

***b) Preparation of investment reports and financial analysis***

The line item "Preparation of investment reports and financial analysis" shown above comprises the fees and commissions received by the Group in 2016 and 2015 for the provision of services basically involving financial analysis of companies and other advisory services prior to order execution.

***c) Management and administration of CISs***

The line item "Management and administration of CISs" shown above comprises the fees and commissions received by the Group in 2016 and 2015 for managing and administrating closed-ended CISs and open-ended CISs.

Details of this line item for 2016 and 2015 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| EQMC Europe Development Capital Fund, Plc. | 6,644 | 5,357 |
| EQMC, FIL | 2,531 | 1,679 |
| QMC II Iberian Capital Fund, FIL | 1,832 | 1,796 |
| Alteralia Debt Fund, FIL | 28 | 9 |
| Mercer Investment Fund 2 | 244 | - |
| Murano Patrimonio, FI | 21 | - |
| Sociedades de Inversión de Capital Variable | 140 | - |
| | **11,440** | **8,841** |

In 2016 and 2015, Alantra Asset Management, S.G.I.I.C., S.A.U. was responsible for managing and administrating some of the vehicles listed above. Also, since 3 October 2016 there have been integrated the revenues obtained by Alantra Wealth Management, S.G.I.I.C., S.A. from the management and administration of certain vehicles listed above; the amount for 2016 was not very large, given that only revenue from the last quarter was integrated.

It also received a performance fee for managing EQMC, Fondo de Inversión Libre, equivalent to 15% of the annual gain in net asset value, provided that said gain exceeds the annual gain in the average Eonia interest rate over the last 24 months, plus a spread of 3 percentage points. This fee totalled €1,812 thousand in 2016 (2015: €1,219 thousand).

QMC II Iberian Capital Fund, Fondo de Inversión Libre has also set a performance fee which Alantra Asset Management, S.G.I.I.C., S.A.U. will take to income when the conditions for its accrual are fulfilled at the time of liquidation, as stipulated in the fund's prospectus, which is entered in the corresponding CNMV register and publicly available.

In 2016, the Group received a performance fee of €4,644 thousand (€3,674 thousand in 2015) associated with holding Class B equity stakes in EQMC Europe Development Capital Fund, Plc, as stipulated in the fund's prospectus and held to the Company (see Notes 9 and 10).

***d) Administration and management of private equity firms***

Details of this line item for 2016 and 2015 are as follows:

| Fee income from: | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Dinamia Capital Privado, Sociedad de Capital Riesgo, S.A. (*) | - | 4,147 |
| Nmás1 Private Equity Fund I | - | 151 |
| Nmás1 Private Equity Fund II | 2,052 | 2,861 |
| Nmás1 Private Equity Fund III | 5,415 | - |
| Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. | 1,212 | - |
| Mercapital Spanish Buy-Out III España, Fondo de Capital Riesgo | 1,849 | 2,147 |
| Mercapital Spanish Buy-Out III Delaware, Fondo de Capital Riesgo | 1,063 | 1,234 |
| Mercapital Spanish Buy-Out III Banca March, Fondo de Capital Riesgo | 74 | 86 |
| Alteralia S.C.A, SICAR (**) | 1,505 | - |
| | **13,170** | **10,626** |

(*) Includes the fees and commissions received for Alantra Capital Privado, S.G.E.I.C, S.A.U.'s management of the Company until the date of the Merger (see Note 2.15).

(**) At 31 December 2015 fees and commissions for the management and administration of Alteralia S.C.A., SICAR were classified under "Provision of business and advisory services" above in the amount of €463 thousand.

Alantra Capital Privado, S.G.E.I.C., S.A.U. (see Note 2.14), coordinated, managed and administrated Dinamia Capital Privado, Sociedad de Capital Riesgo, S.A. in 2014 and until the date of the Merger (see Note 1) and for those functions earned a fixed management fee in 2015 of €1,457 thousand and a success fee of €2,690 thousand.

As from the date of the Merger described in Note 1, effective for accounting purposes on 9 July 2015, Dinamia Capital Privado, S.C.R., S.A. lost its status as a private equity firm, and amended its bylaws. As a result of the Merger, the aforementioned contract with Alantra Capital Privado, S.G.E.I.C., S.A.U. was cancelled.

A management contract was approved and signed on 23 December 2015 under which Nmás1 Capital Privado, S.G.E.I.C., S.A.U. will perform the coordination, management, and administration functions of Nmás1 Dinamia Portfolio, S.C.R., S.A., with effect in 2016. No fee was therefore accrued in 2015. This contract establishes that Dinamia Capital Privado, S.C.R., S.A. will effectively be succeeded by Nmás1 Dinamia Portfolio, S.C.R., S.A., with the latter becoming party to the investment agreement entered into on 30 May 2008 by Nmás1 Capital Privado, S.G.E.I.C., S.A. and "N+1 Private Equity Fund II". The fees accrued during 2016 for performing said

functions according to the remuneration scheme laid down in the aforesaid management and administration agreement were:

- An initial fee in the first quarter of 2016 calculated as a percentage of the acquisition cost of €80,300 thousand. The amount accrued in respect of this fee in 2016 was €351 thousand.

- As from the end of said period, a fixed annual management fee calculated as a percentage of the value of the "valued asset" of the investees of Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A. The amount accrued in respect of this fee in 2016 was €861 thousand.

On 30 May 2008, the Group and, specifically, Alantra Capital Privado, S.G.E.I.C., S.A.U. (see Note 2.14) signed an administration and management contract with Nmás1 Private Equity Fund II Families, Sociedad de Capital Riesgo, S.A., Nmás1 Private Equity Fund II ERISA, Fondo de Capital Riesgo and Nmás1 Private Equity Fund II Non-ERISA, Fondo de Capital Riesgo – jointly referred to as "N+1 Private Equity Fund II" from hereon. The fees accrued during 2016 and 2015 for performing said functions according to the remuneration scheme laid down in the aforesaid management and administration agreement were:

- A fixed annual fee calculated as a percentage of the Acquisition Cost of N+1 Private Equity Fund II's investments that have not been transferred, provisioned for or redeemed. The amount accrued in respect of this fee in 2016 totalled €2,052 thousand (2015: €2,861 thousand).

Furthermore, on 17 June 2015 and 13 April 2016, the Group and, specifically, Nmás1 Capital Privado, S.G.E.I.C., S.A.U., set up a venture capital fund called Nmás1 Private Equity Fund III, Fondo de Capital Riesgo, and a venture capital firm called Nmás1 Private Equity Fund III, Sociedad de Capital Riesgo, S.A. Furthermore, on 22 April 2016 the Group, specifically Alantra Capital Privado, S.G.E.I.C., S.A.U., signed a management and administration agreement with Nmás1 Private Equity Fund III, Fondo de Capital Riesgo and Nmás1 Private Equity Fund III, venture capital firm, S.A., which will be referred to collectively hereinafter as "N+1 Private Equity Fund III".

The fees accrued in 2016 for management and administration of Nmás1 Private Equity Fund III, Fondo de Capital Riesgo according to the remuneration scheme laid down in that agreement were:

- During the period running from the date of initial closing and the end of the investment period of the Fund, Alantra Capital Privado, S.G.E.I.C., S.A.U., will receive an annual management fee calculated as a percentage of the investment commitment subscribed by unitholders. The amount accrued in this respect in 2016 was €4,583 thousand (no amount for this fee during 2015).

The fees accrued in 2016 for management and administration of Nmás1 Private Equity Fund III, Sociedad de Capital Riesgo according to the remuneration scheme laid down in that agreement were:

- During the period running from the date of initial closing of the company and the end of the investment period, Alantra Capital Privado, S.G.E.I.C., S.A.U., will receive an annual management fee calculated as a percentage of the investment commitment subscribed by shareholders. The amount accrued in respect of this fee in 2016 was €832 thousand.

The Group and, in particular, Mercapital Private Equity, S.G.E.I.C., S.A.U., coordinate, manage and administrate Mercapital Spanish Buy-Out Fund III España, Fondo de Capital Riesgo, de Mercapital Spanish Buy-Out Fund III Delaware, Fondo de Capital Riesgo and Mercapital Spanish Buy-Out Fund III Banca March, Fondo de Capital Riesgo. In return for providing its services, it receives a management fee which, other than in the exceptional circumstances stipulated in the Management Regulations, was calculated as follows:

- Mercapital Private Equity, S.G.E.I.C., S.A.U. will receive an amount equivalent to the Applicable Percentage of: (i) the sum of the acquisition cost of the investments made by the Funds, less the cost of the investments sold; (ii) less the net decline in value of the portfolios, where applicable; (iii) plus the Total Committed Capital of the funds pending disbursement or, where applicable, amounts set aside (or cash available in the Funds) to invest in companies already in the Funds' portfolios (follow-on investments), provided there is an existing commitment of some kind to do so or new investments that have been formally committed but not yet executed. All of the above is calculated at the start of the period over which the management fee is accrued.

The management fee for any year is reduced by an amount equivalent to the total amounts that Mercapital Private Equity, S.G.E.I.C., S.A.U. received during the prior year by way of fees for attending board meetings, providing advisory and consultancy services to investees, and commission from transactions and/or syndication of the Funds' investments.

In the case of Mercapital Spanish Buy-Out Fund III España, Fondo de Capital Riesgo and Mercapital Spanish Buy-Out Fund III Delaware, Fondo de Capital Riesgo, the Applicable Percentage will be two (2) percent per annum. As set forth in Article 13 of the Regulations, if the Management Company acts as the manager of Successor Funds, the Applicable Percentage would be reduced from two (2) percent to one point five (1.5) percent with effect from the moment the Management Company starts receiving a management fee from any Subsequent Fund or from the end of the Investment Period, whichever comes first. In the case of Mercapital Spanish Buy-Out Fund III Banca March, Fondo de Capital Riesgo, the Applicable Percentage rises by zero point five (0.5) percent in the above circumstances. The revenue obtained from this fee totalled €2,986 thousand in 2016 (€3,467 thousand in 2015).

The Group, and in particular, Alteralia Management, S.à.r.l., coordinates, manages and administrates Alteralia, S.C.A., SICAR. As consideration for said services it receives a management fee which in 2016 amounted to €1,505 thousand.

***e) Provision of business and advisory services***

The balance of "Provision of business and advisory services" shown in the previous table includes the fees and commissions received by the Group in 2016 and 2015 for providing advisory services. The amount pending receipt at year-end 2016 and 2015 is included under "Trade and other receivables – Customer receivables for sales and services" on the assets side of the consolidated balance sheet (see Note 10). The increase in the balance of "Provision of business and advisory services" was primarily due to the Group's increased international expansion in 2016. In this respect, the revenue originated outside Spain was for these services (see Note 28).

***f) Search for and placement of packages in secondary markets***

The balance of "Search for and placement of packages in secondary markets" in the previous itemisation includes the amount of fees received by the Group as a result of the search for and issuance of financial instruments in different markets, locating qualified investors and subscribers for those instruments in order to obtained the greatest possible demand for Group customers.

***g) Marketing of Collective Investment Schemes***

The balance of the account "Marketing of Collective Investment Schemes" in the above itemisation includes the fees received by the Group for marketing of Collective Investment Schemes by Alantra Wealth Management Gestión, SGIIC, S.A. and Alantra Wealth Management, A.V., S.A. during the period running between from 3 October 2016 to 31 December 2016 (date control was acquired of said companies — see Note 2.14). The amount pending receipt at year-end 2016 is included in "Trade and other receivables – Customer receivables for sales and services" on the assets side of the consolidated balance sheet (see Note 10).

*h) Other income*

The balance of "Other income" in the above breakdown of income includes €650 thousand at 31 December 2016 in revenue from expenses previously assumed by the Group in respect of formation, organisation and administration of the vehicle Nmás1 Private Equity Fund III that were recorded under "Other operating expenses" in the 2016 consolidated income statement. Those expenses, as defined in the prospectus of the vehicle will be assumed by the vehicle and, therefore, are recovered.

The balance of the "Other income" account in the above breakdown include at 31 December 2015 €2,281 thousand obtained by the Group under the agreement to swap Nmás1 Eolia, S.G.E.I.C., S.A.U. shares for Eolia Renovables de Inversiones, S.C.R., S.A. shares (see Note 2.14).

***g) Assets under management***

A breakdown of assets under management by the Group at 31 December 2016 and 2015 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Portfolios managed – | | |
| Hedge funds | 531,159 | 351,486 |
| Private equity firms | 528,577 | 317,001 |
| Offshore investment vehicles | 7,143 | 19,774 |
| Collective Investment Schemes (*) | 237,630 | 110,030 |
| Discretionary portfolio management (*) | 439,419 | 290,915 |
| | **1,743,928** | **1,089,206** |

(*) At 31 December 2016 and 2015 includes assets managed by Alantra Wealth Management, S.G.I.I.C., S.A.

*g.1) Hedge funds*

At 31 December 2016 and 2015, the Group managed the assets of an Irish open-ended investment company, EQMC Europe Development Capital Fund, Plc, which is not authorised under Council Directive 85/611 of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS). At 31 December 2016 and 2015, the Group also managed 3 hedge funds: EQMC, Fondo de Inversión Libre, Fondo de Inversión Libre, QMC II Iberian Capital Fund, Fondo de Inversión Libre and Alteralia Debt Fund, FIL.

*g.2) Private equity firms*

At 31 December 2016, the Group also managed four private equity firms and six private equity funds with total assets at 31 December 2016 of €528.577 thousand (two private equity firms and six private equity funds at 31 December 2015 with total assets of €317,001).

*g.3) Collective Investment Schemes:*

At 31 December 2016 the Group was managing 2 investment funds and 11 open-ended investment companies (SICAVs) with total net assets at 31 December 2016 of €237,630 thousand. At 31 December 2015 the Group did not have control of Alantra Wealth Management, S.G.I.I.C., S.A., the manager of said collective investment schemes and the total net assets managed by that company amounted to €110,030 thousand.

*g.4) Offshore investment vehicles*

At 31 December 2016 and 2015, the Group managed the following offshore investment vehicles:

| | Thousands of euros | |
|---|---|---|
| | 31/12/2016 | 31/12/2015 |
| Alpina Real Estate Fund SCA SICAV-FIS (*) | 1,524 | 3,440 |
| Alpina Real Estate Fund II (Lux) (*) | 1,505 | 7,512 |
| Alpina Real Estate Company SCA (*) | 3,540 | 3,783 |
| Alpina Real Estate Company II SCA (*) | 574 | 5,039 |
| | **7,143** | **19,774** |

(*) Investment vehicles managed by Alpina Real Estate GP I, S.A.; Alpina Real Estate GP II, S.A. and Alpina Real Estate GP, S.A. (see Note 2.14).

### 24.2. Transfers to third parties for joint execution

The line item "Transfers to third parties for joint execution" included under "Revenue" in the consolidated income statement included an amount of €3,693 thousand in 2016 (2015: €2,165 thousand) of income transferred to third parties in connection with the joint execution of various financial advisory transactions over the year:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Administration fee (1) | 59 | 127 |
| Marketing fee (2) | 397 | 175 |
| Brokerage fee (3) | 423 | 312 |
| Fees and commissions assigned to other entities and representatives (4) | 2,771 | 1,428 |
| Other fees and commissions (5) | 43 | 123 |
| | **3,693** | **2,165** |

(1) Comprises fees for administrating the hedge funds managed by Alantra Asset Management, S.G.I.I.C., S.A.U. and assigned to a number of administrators in 2016 and 2015.

(2) Includes the commission paid for marketing the units of several vehicles managed by Alantra Asset Management, S.G.I.I.C., S.A.U. and Alantra Capital Privado, S.G.E.I.C., S.A.U.

(3) Includes the fees and commissions paid by Alantra Equities, Sociedad de Valores, S.A., to market members for direct access to the market and fees for execution of trades and settlement rights of stock exchanges and other financial markets.

(4) Includes the fees and commissions primarily transferred by way of remuneration to several collaborators for presenting new customers and bringing in new orders.

(5) Comprises the board meeting attendance fees passed on by QMC Directorships, S.L.U., as representative of QMC II Iberian Capital Fund, Fondo de Inversión Libre y QMC II Iberian, S.L. both managed by Alantra Asset Management, S.G.I.I.C., S.A.U.

## 25. Personnel expenses

### *a) Breakdown*

Details of "Personnel expenses" in the consolidated income statement for 2016 and 2015 were as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Wages and salaries | 42,592 | 30,311 |
| Social security costs | 3,265 | 2,439 |
| Severance payments (Note 3-o) | 824 | 473 |
| Other personnel expenses | 1,200 | 746 |
| | **47,881** | **33,969** |

***b) Number of employees***

The Group's headcount (for the Company and subsidiaries) in 2016 and 2015, and by professional category and gender at said reporting closes, was as follows:

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Average headcount | Male | Female | Total | Average headcount |
| General management | 27 | 1 | 28 | 28 | 20 | 1 | 21 | 20 |
| University graduates | 190 | 57 | 247 | 209 | 126 | 28 | 154 | 152 |
| Clerical staff | 5 | 29 | 34 | 33 | 2 | 24 | 26 | 25 |
| | **222** | **87** | **309** | **270** | **148** | **53** | **201** | **197** |

Personnel expenses payable at year-end 2016 – primarily bonuses – totalled €25,523 thousand (€15,503 thousand – primarily bonuses – at 31 December 2015) are included under "Trade and other payables – Other payables" on the liabilities side of the consolidated balance sheet (see Note 18). At the date of preparing these financial statements, €19,637 thousand of all amounts payable in connection with personnel expenses had been settled.

In 2016 and 2015, the Group employed no individuals with disabilities equal to or over 33% impairment.

## 26. Other operating expenses

***a) Breakdown***

Details of "Other operating expenses" on the consolidated income statements for 2016 and 2015 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 2016 | 2015 |
| Buildings and facilities rental | 2,389 | 1,680 |
| Communications | 681 | 638 |
| Advertising and publicity | 1,238 | 558 |
| Utilities | 619 | 593 |
| Repairs and maintenance | 54 | 47 |
| Independent professional services | 7,238 | 5,639 |
| Board remuneration (Note 5) | 2,563 | 1,756 |
| Levies and other taxes | 384 | 248 |
| Other expenses | 7,840 | 5,938 |
| | **23,006** | **17,097** |

The cost of leasing the office serving as the registered offices of the Company and most Group companies in 2016 and 2015 (see Note 1) is included under "Buildings and facilities rental" in the table above. The increase in "Buildings and facilities rental" reflects the new office openings in different countries as part of the international expansion carried out by the Group during 2016.

Details of the minimum lease payments the Group has agreed with the lessor, as per the aforesaid lease agreements, without factoring in any deflected community charges, future increases in the Consumer Price Index, or future contractual lease payment revisions or VAT, are as follows:

| Operating leases<br>Minimum lease payments | Thousands of euros<br>2016 |
|---|---|
| Within one year | 2,364 |
| 1 to 5 years | 6,265 |
| Over 5 years | - |
| | **8,629** |

The balance of "Communications" in the above itemisation of operating expenses includes, in 2016, €291 thousand in expenses incurred by the Group for access to information sources and services from Bloomberg, Reuters and others through the subsidiary Alantra Equities, Sociedad de Valores, S.A., (€375 thousand in 2015 — see Note 2.14).

The increase in "Advertising and publicity" is in good part the result of the change in the Group's trademark (see Note 1).

The increase in "Independent professional services" in the above breakdown of operating expenses in 2016 was primarily due to the €1,734 thousand in expenses associated with the sale of High Tech Hotels & Resorts, S.A. (see Note 9.2) and to the €1,562 thousand in expenses paid for marketing the new venture capital vehicle created by the Group, Nmás1 Private Equity Fund III. Also, the balance of "Independent professional services" of the above breakdown includes at 31 December 2015 the costs assumed by the extinct N Más Uno IBG, S.A. in connection with its merger-takeover by the Company (see Note 1).

In the breakdown of operating expenses, the balance of "Other expenses" basically includes travel expenses, which in 2016 amounted to €2,931 thousand (€2,136 thousand in 2015) and vehicle rentals of €368 thousand (€327 thousand in 2015). "Other expenses" also includes remuneration to directors of certain Group companies in the amount of €1,371 thousand in 2016 (€222 thousand in 2015).

Amounts payable by the Group to various suppliers in its normal operations are included under "Trade and other payables" on the liabilities side of the consolidated balance sheet (see Note 18).

**Information on the average payment period to suppliers. Additional provision three. "Disclosure requirement" of Act 15/2010 of 5 July**

Disclosures at 31 December 2016 and 2015 required as per the second final provision of Act 31/2014 of 3 December, amending the Spanish Corporate Enterprises Act to improve corporate governance (which in turn, amends Act 15/2010 of 5 July, amending Act 3/2004 of 29 December establishing measures to combat defaults on commercial transactions) are as follows:

| | Days | |
|---|---|---|
| | 2016 | 2015 |
| Average supplier payment period | 28.39 | 42.57 |
| Ratio of payments made | 29.37 | 40.09 |
| Ratio of payments pending | 22.68 | 99.47 |

| | Amount (Thousands of euros) | |
|---|---|---|
| | 2016 | 2015 |
| Total payments made | 25,944 | 14,750 |
| Total payments pending | 5,666 | 641 |

The data in the table above in connection with payments to suppliers refer to trade payables to suppliers of goods and services. Accordingly, they include the "Trade and other payables – Suppliers" figures in the consolidated balance sheet.

According to Act 3/2004 of 29 December, establishing measures on combating late payment in commercial transactions, the statutory maximum payment period applicable to the Company in 2016 was 30 days.

***b) Other disclosures***

Fees for audit services provided to N+1 Group companies in Spain and abroad throughout 2016 totalled €268 thousand (2015: €223 thousand), which are included under "Independent professional services" in the breakdown above. Other non-audit services were also provided by their auditor in 2016 and 2015 amounting to €134 thousand and €366 thousand, respectively.

## 27. Impairment losses and gains (losses) on disposal of financial instruments

Shown below is the breakdown of this heading of consolidated income statement for 2016 and 2015:

| | Thousands of Euros | |
|---|---|---|
| | 2016 | 2015 |
| Novolux (1) | (1,053) | - |
| Impairment goodwill Landmark (2) | (1,263) | - |
| Profit prior investment Alantra Wealth Management (3) | 1,268 | - |
| Impairment loan Segur Ibérica, S.A. (4) | (630) | - |
| Impairment shares H-Farm SPA (5) | (65) | - |
| Impairment customers (6) | (686) | (297) |
| Recovery impairment customers (6) | 35 | 144 |
| Profit sale of High Tech Hotels & Resorts, S.A. (7) | 10,764 | - |
| Loss sale shares Alteralia, S.C.A., SICAR) | (15) | - |
| Impairment Tamsi Spain, S.L. (9) | - | (310) |
| Impairment Daruma companies (10) | - | (505) |
| Impairment loan MBA Incorporado, S.L. (11) | - | (2,118) |
| Profit sale United Wineries Holding, S.A. (12) | - | 2,325 |
| Profit sale 92.5% of Nmás1 Dinamia Portfolio, S.C.R., S.A. (13) | - | 553 |
| Other | (15) | (172) |
| | **8,340** | **380** |

(1) Records expenses recognised by Group due to reversal of impairment of Grupo Gestión Integral Novolux holding, which was found to be tax deductible for tax periods prior to 2013 (see Note 16).

(2) During 2016 the Group recognised impairment of part of the implicit goodwill generated in acquisition of 30% of Landmark Capital (see Notes 2.14 and 8).

(3) In respect of the gain obtained from fair value measurement per IFRS 3 "Business combinations" of the prior investment the Company held in Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. (see Note 2.14).

(4) During 2016, as a result of the financial situation of Segur Ibérica, S.A. (insolvency proceedings), the Company wrote off the whole of the loan as impaired (see Note 9.3).

(5) During 2016 the Group recognised impairment losses on its shares in H-Farm SPA due to the decline in the trading price (see Note 9.1).

(6) During 2016 a net loss of €651 thousand (€153 thousand in 2015) was recorded in respect of value adjustments for impairment of financial assets carried under "Trade and other receivables – Customer receivables for sales and services" on the assets side of the consolidated balance sheet (see Note 10).

(7) On 16 September 2016 the Company sold 26% of its holding in High Tech Hotels & Resorts, S.A., recording the €10,764 thousand received under "Impairment losses and gains (losses) on disposal of financial instruments" in the 2016 consolidated income statement (see Note 9.2).

(8) On 2 March 2016 the Company sold certain Class C shares of Alteralia, S.C.A., SICAR for €1,705 thousand, generating a loss of €15 thousand (see Note 9.1).

(9) On 16 October 2015 the sale of 25% of Nmás1 Dinamia Portfolio, S.A.'s holding in Tamsi Spain, S.L. was executed and completed. The net amount obtained from the disinvestment was €20,500 thousand, which was expected to be increased by €1,549 thousand and the recovery of which would depend on the amount recovered by Tamsi Spain, S.L. from an account it held in Banco de Madrid, S.A.U. In this

regard, the Company estimated there were reasonable doubts as to receipt of the full additional amount and set aside a provision of €310 thousand (see Note 9.4).

(10) During 2015 impairment losses were recognised in Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş. and Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danişmanlik Hizmetleri A.Ş. of €470 thousand and €35 thousand, respectively (see Note 8).

(11) During 2015 impairment was recognised of the loan to MBA Incorporado, S.L. (see Note 9.3).

(12) On 21 October 2015 it was agreed to sell United Wineries Holding, S.A., generating a profit on the sale (see Note 9.2).

(13) This records the gain obtained on sale of 92.5% of Nmás1 Dinamia Portfolio, S.C.R., S.A. (see Note 2.14).

## 28. Segment reporting

In line with IFRS 8, which establishes the obligation to apply and disclose segment reporting for those companies whose equity or debt securities are quoted on public markets, or for companies which are in the process of issuing securities for quotation on public securities market, the Group presented this information in five segments in the accompanying consolidated financial statements.

### *a) Basis of segmentation*

The top tier of segment reporting for the Group is split into the following segments: financial advisory services, asset management, structural, portfolio and rest. In 2016 the Group presented a greater breakdown by segments. In general terms, the "Others" segment of 2015 was divided up into three different segments (structural, portfolio and rest) for the sake of greater consistency with internal management and to more specifically reflect income from the Group's different activities. This further subdivision is also presented for comparative purposes in 2015 in this Note:

- *Financial advisory (Investment Banking)*

  Alantra business segment that (according to the definition given in the prospectus for admission to trading of the new shares as a consequence of the Merger, hereinafter, "the Prospectus", entered in the CNMV registers on 28 July 2015), covers the provision of financial advisory services to companies or entities in corporate finance operations and the provision of stock market brokerage and analysis services to institutional investors.

- *Asset management*

  Management and advising in respect of assets of different types for institutional investors, high net-asset families and other professional investors and provided through specialised investment funds or through customer investment portfolios.

- *Structural*

  Alantra business segment that includes revenues and expenses related to the governance structure and development of the Alantra Group (corporate governance, strategic coordination, corporate and business development, and corporate services, such as accounting and reporting, risk control, IT systems, human resources management and legal services, amongst others) and which, because they

refer to the parent company of the Group (as listed company) or to the overall management thereof, are not directly attributable to the Financial Advisory or Asset Management or Portfolio segments. The Structural segment also includes invoicing of services in respect of Alantra Group companies that are classified as associates, that is, that are not fully consolidated. In Alantra's current growth phase, both in corporate and business terms, the importance of services classified as Structural justifies its consideration as an independent segment.

These three segments are identified in aggregate as the "Fee Business". It consists of the grouping or aggregation of the Financial Advisory, Asset Management and Structural segments, and is defined as a whole as the service provision activity, be they advisory or management services, the revenue from which is in the form of remuneration or fees and the expenses of which are those needed for its pursuit, mainly personnel expenses. Specifically excluded from the Fee Business are losses or gains originating from investments of the Group's parent company in the companies that carry on said activities (for example, from the sale of interests in companies or businesses, impairment of goodwill or net financial income from foreign currency), where such is the case, which are included in the Rest segment.

The reason for attributing 100% of the activity of the Structural segment to the Fee Business is that the greater part of time and/or funds invested in Structure are used to manage the growth and complexity from the activity classified in the Financial Advisory and Asset Management segments. This concept is especially significant because several alternative performance measures (APMs) are constructed on it.

- "Portfolio". This is the Group's own portfolio investment activity.

  This Alantra business segment is defined, as stated in the Prospectus, as consisting in obtaining capital gains by investing and subsequently selling stakes in companies or in investment funds or vehicles managed by the Alantra Group management teams. The current investment portfolio has a dual origin: (i) in the companies invested in by the Company as venture capital firm before the Merger and which, at the date of the Merger, had not yet been disposed of or sold; and (ii) investments of the Alantra Group in vehicles managed or advised by the Group itself.

- "Rest"

  This is a residual category that includes all activities that do not belong in any of the four previous business segments (that is, neither Financial Advisory, nor Asset Management, nor Structural, nor Portfolio). In 2015 this segment included €53,561 thousand for the profit generated by the Merger by takeover described in Note 1.

***b) Basis and methodology for segment reporting***

The Group's segment reporting forms the basis for internal management and oversight of the performance of the different business areas. The Board of Directors (along with the Group's governing bodies) is ultimately responsible for said information and for taking operating decisions concerning each of these business areas.

The Group's management segments its activity pursuant to the nature of the services provided and they correspond with the business units for which accounting and management information is available.

Segment information on these businesses is presented below.

***Consolidated income statement by segment:***

| | Thousands of Euros | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Investment Banking | | Asset Management | | Structural | | Portfolio | | Rest | | Consolidation adjustments | | Total for Group 2016 | Total for Group 2015 |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | | |
| Revenue | 60,990 | 40,571 | 28,064 | 23,909 | 1,163 | 813 | - | - | - | - | - | - | 90,217 | 65,293 |
| Ordinary income among segments | 1.318 | 647 | 5,210 | 2,975 | 5,048 | 4,250 | - | - | - | - | (11,576) | (7,872) | - | - |
| Other operating income | - | 9 | 43 | - | - | - | - | - | - | - | - | - | 43 | 9 |
| Personnel expenses | (30,869) | (18,760) | (13,451) | (12,256) | (1,554) | (2,852) | (2,007) | (101) | - | - | - | - | (47,881) | (33,969) |
| Other operating expenses | (11,061) | (6,353) | (5,711) | (3,705) | (4,866) | (6,967) | (1,368) | (72) | - | - | - | - | (23,006) | (17,097) |
| Other operating expenses among segments | (2,985) | (2,541) | (4,503) | (2,967) | (4,088) | (2,364) | - | - | - | - | 11,576 | 7,872 | - | - |
| Depreciation and amortisation | (210) | (155) | (109) | (55) | (171) | (156) | - | - | - | - | - | - | (490) | (366) |
| Impairment losses and gains (losses) on disposal of non-current assets | - | - | (26) | 2 | - | - | - | - | - | - | - | - | (26) | 2 |
| Other income (expense) | - | - | - | - | - | - | - | - | - | 53,561 | - | - | - | 53,561 |
| **Operating profit (loss)** | **17,183** | **13,418** | **9,517** | **7,903** | **(4,468)** | **(7,276)** | **(3,375)** | **(173)** | **-** | **53,561** | **-** | **-** | **18,857** | **67,433** |
| Finance income | 24 | 2 | - | 2 | - | - | 129 | 2,481 | 72 | - | - | - | 225 | 2,485 |
| Finance income among segments | - | - | - | - | - | - | - | - | 753 | - | (753) | - | - | - |
| Finance costs | - | - | - | - | - | - | - | - | (29) | - | - | - | (29) | - |
| Finance costs among segments | - | - | - | - | - | - | - | - | (753) | - | 753 | - | - | - |
| Changes in fair value of financial instruments | - | - | - | - | - | - | 2,493 | (335) | - | - | - | - | 2,493 | (335) |
| Exchange differences | - | 166 | 8 | (9) | - | - | - | 2 | 169 | - | - | - | 177 | 159 |
| Impairment losses and gains (losses) on disposal of financial instruments | (715) | (658) | (39) | 2 | - | - | 9,095 | 781 | (1) | (505) | - | - | 8,340 | (380) |
| **Net finance income (expense)** | **(691)** | **(490)** | **(31)** | **(5)** | **-** | **-** | **11,717** | **2,929** | **211** | **(505)** | **-** | **-** | **11,206** | **1,929** |
| Share of profit (loss) of companies accounted for using the equity method | 2,510 | 1,531 | 10 | 511 | - | - | - | - | - | - | - | - | 2,520 | 2,042 |
| **Profit (loss) before tax** | **19,002** | **14,459** | **9,496** | **8,409** | **(4,468)** | **(7,276)** | **8,342** | **2,756** | **211** | **53,056** | **-** | **-** | **32,583** | **71,404** |
| Income tax | (4,397) | (3,642) | (2,637) | (459) | 1,024 | (113) | 774 | 48 | (53) | - | - | - | (5,289) | (4,166) |
| **Consolidated profit (loss) for the period** | **14,605** | **10,817** | **6,859** | **7,950** | **(3,444)** | **(7,389)** | **9,116** | **2,804** | **158** | **53,056** | **-** | **-** | **27,294** | **67,238** |
| **Net profil (loss) attributable** | **12,478** | **9,042** | **6747** | **8,173** | **(3,444)** | **(7,389)** | **9,116** | **2,804** | **158** | **53,056** | **-** | **-** | **25,055** | **67,238** |
| **Non-controlling interestss** | **2,127** | **1,775** | **112** | **(223)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,239** | **1,552** |

**Note:** Due to the greater breakdown given in this report compared with the one presented in 2015, in the 2015 information Personnel expenses have been reclassified from the "Structural" segment to "Asset Management" in the amount of €1,967 thousand.

***Non-current assets by segment:***

| | Thousands of Euros | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Investment Banking | | Asset Management | | Structural | | Portfolio | | Rest | | Total for Group | Total for Group |
| | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 | 31.12.2016 | 31.12.2015 |
| Balance sheet | | | | | | | | | | | | |
| Assets: | | | | | | | | | | | | |
| Intangible assets | | | | | | | | | | | | |
| Goodwill | 29,524 | 3,587 | 4,510 | 47 | - | - | - | - | - | - | 34,034 | 3,634 |
| Other intangible assets | 20 | 12 | 1,177 | 3 | 29 | 42 | - | - | - | - | 1,226 | 57 |
| Property and equipment | 910 | 666 | 656 | 184 | 790 | 914 | - | - | - | - | 2,356 | 1,764 |
| Investments accounted for using the equity method | 15,755 | 10,872 | 362 | 1,531 | - | - | - | - | - | - | 16,117 | 12,403 |

*c) Geographical segment reporting*

For geographical segment reporting, segment revenues are grouped according to the geographical location of the assets. Segment assets are also grouped according to their geographical location.

The following table provides a summary of ordinary income from each of the Group's assets, broken down by geographical area, in 2016 and 2015:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | Share of profit (loss) of companies accounted for using the equity method | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Domestic market | 61,950 | 55,332 | 26 | (175) | 61,976 | 55,157 |
| European Union- | | | | | | |
| UK | - | 399 | 1,875 | 1,422 | 1,875 | 1,821 |
| Italy | 5,132 | 2,918 | - | - | 5,132 | 2,918 |
| Germany | 10,216 | 4,534 | - | 457 | 10,216 | 4,991 |
| France | 3,805 | 2,110 | - | - | 3,805 | 2,110 |
| Greece | 110 | - | - | - | 110 | - |
| Netherlands | 1,576 | - | - | - | 1,576 | - |
| Portugal | 30 | - | - | - | 30 | - |
| OECD countries | | | | | | |
| Luxembourg | 1,505 | - | (15) | 228 | 1,488 | 228 |
| Switzerland | - | - | 540 | 110 | 540 | 110 |
| Turkey | - | - | - | - | - | - |
| Other countries | | | | | | |
| United States | 5,644 | - | - | - | 5,644 | - |
| India | 99 | - | - | - | 99 | - |
| China | 150 | - | - | - | 150 | - |
| Chile | - | - | 94 | - | 96 | - |
| | **90,217** | **65,293** | **2,520** | **2,042** | **92,737** | **67,335** |

The following table provides a summary of non-current assets for each of the Group's assets, broken down by geographical area, at 31 December 2016 and 31 December 2015:

| | Intangible assets - Goodwill | | Intangible assets – Other intangible assets | | Property and equipment | | Investments accounted for using the equity method | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Domestic market | 7,540 | 3,077 | 1,212 | 51 | 1,833 | 1,491 | 140 | 712 |
| European Union- | | | | | | | | |
| UK | - | - | - | - | - | 9 | 9,072 | 8,247 |
| Italy | - | - | 2 | 2 | - | 10 | - | - |
| Germany | 416 | 416 | 12 | 4 | 105 | 52 | - | - |
| France | 141 | 141 | - | - | 156 | 202 | - | - |
| Greece | - | - | - | - | 19 | - | - | - |
| Netherlands | - | - | - | - | 57 | - | - | - |
| Portugal | 23 | - | - | - | 8 | - | - | - |
| Sweden | 100 | | - | - | 9 | - | - | - |
| OECD countries | | | | | | | | |
| Luxembourg | - | - | - | - | - | - | 222 | 819 |
| Switzerland | - | - | - | - | - | - | 3,056 | 2,625 |
| Other countries | | | | | | | | |
| United States | 25,814 | - | - | - | 142 | - | - | - |
| India | - | - | - | - | 3 | - | - | - |
| China | - | - | - | - | 20 | - | - | - |
| Ireland | - | - | - | - | 4 | - | - | - |
| Chile | - | - | - | - | - | - | 3,627 | - |
| | **34,034** | **3,634** | **1,226** | **57** | **2,356** | **1,764** | **16,117** | **12,403** |

## 29. Fair value

The fair values of the Group's financial instruments at 31 December 2016 and 2015, by class of financial asset and liability, are broken down in the accompanying consolidated financial statements into the following levels:

- **LEVEL 1**: Financial instruments whose fair value is determined using as a direct input the quoted price of the financial instrument on an active market (as defined in the Group's internal policies) that is observable and can be obtained from independent sources. This level includes any listed debt securities, listed equity/capital instruments and certain derivatives.

- **LEVEL 2**: Financial instruments whose fair value is estimated by reference to quoted prices on organised markets for similar instruments or using other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.

- **LEVEL 3**: Instruments whose fair value is estimated using valuation techniques in which most of the inputs are not based on observable market data. Control units that are not connected to the market areas are responsible for selecting and validating the valuation models used.

The methods used to calculate the fair value of each class of financial assets and liabilities are as follows:

- Available-for-sale financial assets (at fair value):

  - Listed equity/capital instruments and Investment Funds: fair value determined using the quoted price on official markets or net asset value of investment funds (Level 1).

  - Non-listed equity/capital instruments: the following techniques are used to determine fair value:

    - Financial instruments measured at recent transaction price: the fair value was determined on the basis of the last transactions carried out close to year-end (see Note 2.14) — methodology applied in 2015 (Level 2).

    - Private equity vehicles and similar and open-ended Investment Funds: fair value determined as the net asset value obtained from the statements provided by the company managing said vehicles, adjusted, where applicable, for the illiquidity premium (Level 2).

- Other financial assets at fair value through profit or loss and loans:

  - Non-quoted equity instruments and certain loans: their fair value has been determined by considering the multiplier of comparable listed companies (EV/EBITDA, PER, Price/Carrying Amount, Price/Premiums), adjusted where necessary according to the company under valuation (Level 3).

  - Open-ended Investment Funds: their fair value has been determined by considering, if applicable, the net asset value obtained from the statements provided by the manager itself (Level 2).

- Non-current financial liabilities (at fair value):

  - Unlisted equity instruments: their fair value has been determined by discounting future cash flows to present value (Level 3).

- Trade and other payables – Other payables (at fair value):

  - Unlisted equity instruments: their fair value has been determined by considering, if applicable, the net asset value obtained from the statements provided by the manager itself (Level 2).

Not all financial assets and liabilities are recorded at fair value. Consequently, there follows a breakdown of the information on financial instruments carried at fair value and, afterwards, the information on those measured at cost and a their net book value.

Shown below is the fair value at 31 December 2016 and 2015 of the Group's financial instruments that are recorded at fair value, broken down by the measurement model used to estimate their fair value:

Financial assets – fair value at 31 December 2016

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | Fair value hierarchy | | |
| | | | Level 1 | Level 2 | Level 3 |
| Non-current financial assets | | | | | |
| Available-for-sale financial assets | 31,868 | 31,868 | 10,183 | 21,685 | - |
| Other financial assets at fair value through profit or loss | 370 | 370 | - | 370 | - |
| Loans | 580 | 580 | - | - | 580 |
| Non-current financial liabilities | (5,729) | (5,729) | - | - | (5,729) |
| Trade and other payables – Other payables | (370) | (370) | - | (370) | - |
| | **26,719** | **26,719** | **10,183** | **21,685** | **(5,149)** |

In addition to the above, the balance of "Non-current financial assets – Available for sale financial assets" in the consolidated balance sheet at 31 December 2016 included €228 thousand of financial assets carried at cost, mainly in respect of disbursements made by the Group in certain vehicles that at 31 December 2016 had not yet commenced their activity. Also, "Non-current financial assets – Other financial assets at fair value through profit or loss" in the consolidated balance sheet at 31 December 2016 included €1,113 thousand of financial assets measured at their net book value, which the Group considered the best estimate of their fair value given that at 31 December 2016 said holding had not investments in its portfolio and basically maintains liquidity.

Financial assets – fair value at 31 December 2015

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | Fair value hierarchy | | |
| | | | Level 1 | Level 2 | Level 3 |
| Non-current financial assets | | | | | |
| Available-for-sale financial assets | 21,935 | 21,935 | - | 21,935 | - |
| Other financial assets at fair value through profit or loss | 839 | 839 | - | - | 839 |
| | **22,774** | **22,774** | **-** | **21,935** | **839** |

Presented below are the main measurement methods, assumptions and inputs used to estimate the fair value of financial instruments carried at fair value and classified in Levels 2 and 3, by type of financial instrument, and the related balances at 31 December 2016 and 2015:

Level 2 financial instruments at 31 December 2016 and 2015:

| | Fair value (thousands of euros) | | Principal measurement techniques | Main inputs used |
|---|---|---|---|---|
| | 2016 | 2015 | | |
| Non-current financial assets<br>Available-for-sale financial assets | 21,685 | 21,935 | Net Asset Value | Net asset value provided by Manager adjusted for illiquidity premium if applicable |
| Other financial assets at fair value through profit or loss | 370 | - | Net Asset Value | Net asset value provided by Manager |
| Trade and other payables<br>Other payables | (370) | - | Net Asset Value | Net asset value provided by Manager |
| **Total** | **21,685** | **21,935** | | |

Level 3 financial instruments at 31 December 2016 and 2015:

| | Fair value (thousands of euros) | | Principal measurement techniques | Main inputs used |
|---|---|---|---|---|
| | 2016 | 2015 | | |
| Non-current financial assets<br>Other financial assets at fair value through profit or loss<br>Loans | -<br>580 | 839<br>- | Multiplier of comparable listed companies | Prices (listed) of similar instruments or market benchmarks |
| Non-current financial liabilities | (5,729) | - | Present value method (Discounted future cash flows) | Market interest rates, discount rates, perpetuity rate and growth rates |
| **Total** | **(5,149)** | **839** | | |

Shown below is the quantitative information on unobservable inputs used to calculate the Level 3 measurements:

| | Measurement method | Significant unobservable inputs | Min | Max | Average | Units |
|---|---|---|---|---|---|---|
| Non-current financial assets<br>Other financial assets at fair value through profit or loss<br>Loans | Multiplier of comparable listed companies | EV/ EBITDA | 8.2 | 8.5 | 8.3 | Ratio EV/EBITDA |
| Non-current financial liabilities (*) | Present value method (discounted future cash flows) | Projections | Not applicable | | | |

(*) Given the date this financial liability was generated (last quarter of 2016), only one unobservable input reference has been used.

The principal technique used to measure the main instruments classified in Level 3, with the main unobservable inputs, is as follows:

- Comparable prices (prices of similar assets): selection of listed companies for which implicit multiples are obtained according to the consensus estimates of industry analysts.
- Present value method (discounted future cash flows): different assumptions are used, such as market discount rate, perpetuity rate, discount rates, growth rates, etc.

The movement in the balances of financial assets and liabilities classified in Level 3 that are carried on the consolidated balance sheet is shown below:

| | Thousands of euros | |
|---|---|---|
| | 2016 | |
| | Assets | Liabilities |
| Balances at start of the year | 839 | - |
| Changes in fair value recognised in profit or loss | 2,493 | - |
| Changes in fair value not recognised in profit or loss | - | - |
| Recovery recognised in profit or loss | 66 | |
| Purchases, sales and liquidations | - | - |
| Net entries/ (removals) in Level 3 | (2,818) | (5,729) |
| **Balances at end of year** | **580** | **(5,729)** |

There were no transfers between levels in 2015.

The sensitivity analysis is performed on assets with important unobservable inputs; that is, for those included in Level 3, in order to have a reasonable range of possible alternative measurements. That analysis is performed to establish, with an adequate degree of certainty, the valuation risk in relation to those assets without applying criteria of diversification between them.

At 31 December 2016, the impact on consolidated income of changing the main assumptions used to measure Level 3 financial instruments with other reasonably possible assumptions, taking the highest value (most

favourable assumption) or lowest value (least favourable assumption) of the range estimated as probably, is given below:

| | Thousands of euros | |
|---|---|---|
| | Potential impact in the consolidated income statement | |
| | Most favourable assumption | Least favourable assumption |
| Non-current financial assets | | |
| Other financial assets at fair value through profit or loss | 65 | (41) |
| Loans | | |

The fair value of other financial assets and liabilities is basically equal to their carrying amount, as it is understood that this fair value does not differ materially from the carrying amount of these items. The following points should be also made on the fair value of certain financial assets:

- Bank deposits: the Group estimated the fair value of these financial assets as their carrying amount, as it is considered that, given the nature of the counterparties, interest rates and terms thereof, this fair value does not differ materially from amortised cost.

- Loans and credits: the Group estimated there are no material differences between the fair value of these financial assets and their carrying amount.

## 30. Events after the reporting period

The Board of Directors of the Company plans to bring a proposal before the Annual General Meeting of Shareholders for a distribution of a gross €0.35 per share against the share premium.

Subsequent to year-end 2016 there has been no other significant event than those described in the rest of these notes to the consolidated financial statements.

## 31. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2-1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

## Appendix 1
## Change of names of Alantra Group subsidiaries

Listed in the following table are the name changes approved during 2016 for the subsidiaries of the Alantra Group as a result of the change of the Group's trademark:

| Current name | Previous name | Date |
|---|---|---|
| Alantra Partners, S.A. | Nmás1 Dinamia, S.A. | 04/01/2017 |
| Alantra International Corporate Advisory, S.L. | Nmás1 International Corporate Advisory, S.L. | 21/10/2016 |
| Alantra Corporate Finance, S.A.U. | Nmás1 Corporate Finance, S.A.U. | 03/10/2016 |
| Alantra Corporate Portfolio Advisors, S.L. | Nmás1 Corporate Portfolio Advisors, S.L. | 07/10/2016 |
| Alantra s.r.l. | N+1 s.r.l | 10/10/2016 |
| Alantra Deutschland GmbH | N+1 Deutschland GmbH | 21/10/2016 |
| Alantra, LLC | Downer & Company, LLC | 07/11/2016 |
| Alantra AG | N+1 Swiss Capital AG, Zürich | 05/10/2016 |
| Alantra Nordics AB | N+1 Nordics AB | 21/10/2016 |
| Alantra Corporate Finance, B.V. | N+1 Corporate Finance, B.V. | 13/10/2016 |
| Alantra Greece Corporate Advisors, S.A. | N+1 Greece Corporate Advisors, S.A. | 11/10/2016 |
| Alantra Investment Managers, S.L.U. | Nmás1 Investment Managers, S.L.U. | 04/10/2016 |
| Alantra Private Equity Advisor, S.A.U. | N Más Uno Advisor, S.A.U. | 07/10/2016 |
| Alantra Capital Privado, S.G.E.I.C., S.A.U. | Nmás1 Capital Privado, S.G.E.I.C., S.A.U. | 03/10/2016 |
| Alantra Private Equity Servicios, S.L.U. | Nmás1 Capital Privado Servicios, S.L.U. | 06/10/2016 |
| Alantra Asset Management, S.G.I.I.C, S.A.U. | Nmás1 Asset Management, S.G.I.I.C., S.A.U. | 03/10/2016 |
| Alantra Equity and Credit Management, S.A.U. | Nmás1 Equity and Credit Management, S.A.U. | 07/10/2016 |
| Alantra Debt Solutions, S.L. | Nmás1 Debt Solutions, S.L. | 27/10/2016 |
| Alantra Infrastructure, S.L.U | Nmás1 Infrastructure, S.L.U | 04/10/2016 |
| Alantra Equities, Sociedad de Valores, S.A. | Nmás1 Equities, Sociedad de Valores, S.A. | 07/12/2016 |
| Alantra REIM, S.L.U. | Nmás1 REIM, S.L.U. | 04/10/2016 |
| Alantra Dinamia Portfolio II, S.L. | Nmás1 Dinamia Portfolio II, S.L. | 04/10/2016 |
| Alantra Capital Markets, Sociedad de Valores, S.A. | Nmás1 Capital Markets, Sociedad de Valores, S.A. | 24/10/2016 |
| Alantra Wealth Management, Agencia de Valores, S.A. | Nmás1 Syz Valores. Agencia de Valores, S.A. | 21/10/2016 |
| Alantra Wealth Management Gestión, S.G.I.I.C., S.A. | Nmás1 Syz Gestión, S.G.I.I.C., S.A. | 21/10/2016 |
| Alantra US Corporation LLC | N+1 US Corporation LLC | 10/03/2016 |
| Alantra Corporate Finance SAS | N+1 France Corporate Finance SAS | 15/01/2017 |

The following companies are in the process of changing their corporate name to include "Alantra":

- Nmás1 Chile SPA
- Másuno Portugal Corporate Finance, Unipessoal LDA.

## Appendix 2
## Information on the Alantra Group in fulfilment of Article 192 of the revised text of Spanish Securities Market Act 4/2015 of 23 October ("Annual Investment Services Companies Report")

This information was prepared pursuant to the provisions of Article 192 of the Spanish Securities Market Act, approved by Royal Decree-Law 4/2015 of 23 October.

***a) Company name, nature and geographical location of business***

Alantra Partners, S.A. (hereinafter, the Company) was incorporated on 11 November 1997 as Dinamia Capital Privado, Sociedad de Capital Riesgo, S.A. The deed for the takeover of N Más Uno IBG, S.A. by the Company was entered in the Madrid Companies Register on 20 July 2015. This transaction (hereinafter, the Merger or Takeover) -further information hereon- resulted in N Más Uno IBG, S.A. ceasing to exist and the Company changing its name to Nmás1 Dinamia, S.A., losing its status as a private equity firm. On 4 January 2017, as a result of the change to the Group's name, the Company changed its name to the present one (see further below).

The Company's corporate object encompasses the following activities:

1. The rendering of financial advisory services:

2. The management of any property or assets, in accordance with any prevailing legal requirements;

3. The acquisition and holding of shares and equity instruments in other companies whose corporate object is, pursuant to any prevailing legal requirements, financial brokerage, management of any type of asset including investment funds or portfolios of any type, and provision of all types of investment service.

4. Acquisition, holding and disposal of shares or equity stakes in any type of company; granting participating loans or other forms of finance to any type of company; investment in any securities or financial instruments, assets, movable property or real estate, or rights, in accordance with any prevailing legal requirements, in order to generate a return on said shares or equity stakes in companies and investments.

The activities comprising the corporate purpose may be performed by the Company in whole or in part, or indirectly through ownership of shares or equity stakes in companies with an identical or similar corporate purpose.

The Company carries out its business in Spain from its offices at calle Padilla, 17 in Madrid.

The Company is the parent of a group (hereinafter, the Group or the Alantra Group) comprising various companies carrying out financial advisory and consultancy services to businesses and institutions in Spain and abroad. They also provide investment and associated services; advice on asset management; advice, administration and management for private equity firms, fund managers and collective investment institutions and companies involved in acquiring direct stakes in companies (see Note 2.14).

On 26 September 2016 the Company issued a material disclosure to the Spanish securities exchange authority, the Comisión Nacional del Mercado de Valores (CNMV), regarding the change in the trademark of the Group it heads. Since that date, the subsidiaries in the Alantra Group have approved the respective changes to their corporate names in order to replace "N+1", "Nmás1" or "Nplusone" with "Alantra". Appendix 1 details the name changes for each company in the Alantra Group. With this new trademark, the Alantra Group (formerly known as

the N+1 Group) has set the goal of creating a single distinctive mark that identifies a new stage in its development as a company with a strong international focus. With respect to the Company, on 4 January 2017 there was entered in the Companies Registry the change of name from Nmás1 Dinamia, S.A. to Alantra Partners, S.A., previously approved by the General Meeting of 13 December 2016.

***b) Turnover***

This section provides information on turnover, by country, on a consolidated basis, for the Company, for the subsidiaries thereof, and for jointly-controlled entities and associated accounted for using the equity method. Turnover is taken as the figures for revenue presented in the Group's 2016 consolidated income statement and are as follows:

| | Turnover (thousands of euros) |
|---|---|
| Domestic market | 61,950 |
| European Union- | |
| Italy | 5,132 |
| Germany | 10,216 |
| France | 3,805 |
| Greece | 110 |
| Netherlands | 1,576 |
| Portugal | 30 |
| OECD countries | |
| Luxembourg | 1,505 |
| Other countries | |
| United States | 5,644 |
| India | 99 |
| China | 150 |
| | **90,217** |

***c) Number of full-time employees***

Details of the full-time employees of the Company and its subsidiaries at 2016 year-end were as follows:

| | Number of employees |
|---|---|
| Domestic market | 210 |
| European Union- | |
| Italy | 10 |
| Germany | 36 |
| Netherlands | 8 |
| France | 20 |
| Other countries | |
| United States | 25 |
| | **309** |

### *d) Profit (loss) before tax*

This section shows the pre-tax profit (loss), on a consolidated basis, for the Company, for the subsidiaries thereof, and for jointly-controlled entities and associated accounted for using the equity method.

| | Pre-tax profit (thousands of euros) |
|---|---|
| Domestic market | 26,220 |
| European Union- | |
| UK | 1,875 |
| Italy | 1,446 |
| Germany | 2,949 |
| France | 138 |
| Netherlands | (168) |
| Sweden | (240) |
| Portugal | (188) |
| Greece | (222) |
| Ireland | (35) |
| OECD countries | |
| Luxembourg | (20) |
| Switzerland | 540 |
| Other countries | |
| United States | 644 |
| Chile | 69 |
| India | (228) |
| China | (197) |
| | **32,583** |

### *e) Income tax*

This section shows the corporate tax expense, on a consolidated basis, for the Company and its subsidiaries.

| | Income tax (thousands of euros) |
|---|---|
| Domestic market | 3,798 |
| European Union- | |
| Italy | 541 |
| Germany | 948 |
| OECD countries | |
| Luxembourg | 2 |
| | **5,289** |

### *f) Public grants and state aid received*

The Alantra Group received no public grants or state aid in 2016.

### *g) Return on assets*

The return on the Alantra Group's assets at year-end 2016, calculated by dividing consolidated net profit for 2016 by total assets at 31 December 2016, was 9.83%.

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

# Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.) and companies comprising the Alantra Group (formerly N+1 Group)

## Consolidated Directors' Report for the year ended 31 December 2016

This directors' report was prepared pursuant to the "Guide for the preparation of management reports of listed companies" published by the CNMV in September 2013, and is broken down into the nine sections specified in said guide:

### 1. Situation of the Company

1.1. Organisational structure

Alantra Partners, S.A. (hereinafter, "the Company" or "Alantra") is the parent company of the Alantra Group, whose activities (after the integration with the N+1) Group can be grouped into three major business lines (i) investment banking, which involves providing advisory services to companies or institutions in corporate finance operations, as well as the provision of stock market brokerage services and analysis for institutional investors, (ii) asset management and advising, and (iii) investments in companies, funds or other investment vehicles.

Under the applicable securities exchange laws and regulations, the Alantra Group is considered a consolidated group of investment firms, with Alantra as its parent company.

The Company, as parent company of the Alantra Group, provides strategic oversight and coordination of the group's activities, which allows pursuit of a unified management model and common action policy. Alantra also provides certain subsidiaries with central services that ensure the support and infrastructure needed to carry on the specific operating activities of each subsidiary.

Apart from the General Shareholders' Meeting, which has the authority attributed to that body by law given that Alantra is publicly traded, the main governance body of the Group is the Company's Board of Directors, which has two delegated committees: the Risk Control and Audit Committee and the Appointments and Remuneration Committee). The Board of Directors meets at least quarterly. The Company also has an Executive Chairman with the responsibilities of chief executive officer.

The powers, composition, structure and functioning of the Board of Directors are regulated by the Board Regulations, which are posted on the Company's website and on the CNMV's website. The Alantra Board of Directors strives to ensure that the Group as a whole complies with the best governance practices set out in business and securities exchange regulations and in the good corporate governance recommendations approved by the CNMV.

The Board of Directors has nine members, one of whom is an executive director and eight are external directors. Of the latter, three are independent, three proprietary and two are classified as "other external".

The Company carries on the activities included in its corporate objects through subsidiaries, some of which provide investment or fund management services and are therefore subject to regulation and supervision. The

Alantra Group companies, in turn, have the governance and control bodies prescribed by the applicable laws and regulations.

The Group's different business areas also have their own bodies to oversee their activities, in particular, the Alantra Asset Management Committee (in which the different business units in the asset management and advising area are represented) and the Management Committee of Alantra International Corporate Advisory (with representatives of the different international activities and business units in the corporate finance area).

The Group, moreover, has a Control and Risk Committee, whose primary objective is to control the main risks to Alantra and its group companies are exposed and, in that area, to keep an up-to-date risks map. The Control and Risk Committee proposes and coordinates the implementation of measures to mitigate risks and keep them within the risk tolerance limits approved by the Board of Directors, and fosters a culture of sound risk management.

1.2. Functioning

The Company heads a group of entities that provide financial advisory services, asset management and advising services and invests in companies and special purpose vehicles. The Alantra Group specialises in the mid-market segment and provides its services independently to financial and industrial companies and entities, as well as to institutional and private investors.

Insofar as the Company handles the strategic oversight and the coordination of the Group's activities, which allows a unified management model and common action policy, as described above, it is the different business units that are responsible for carrying on the Group's activity. These business units are grouped into two areas, for which accounting and management figures are available. The two areas correspond to the business segments identified earlier. The two main areas of the Alantra Group are:

-*Financial advising (Investment Banking)*: this consists in providing financial advisory services to businesses or entities in corporate finance operations, as well as stock market brokerage services and analysis for institutional investors.

-*Asset management/advising (Asset Management):* this activity involves managing and advising assets of different types for institutional investors, wealthy family groups and other professional investors via specialised investment funds or through the investment portfolios of customers.

These two business areas, and the different units (differentiated by country or by product) that they comprise, receive a number of central services from the Company (legal, administration and accounting services, human resources, logistics and information systems, communication and risk control services) that ensure unified and consistent operation of the aforesaid management model, as well as the implementation and followup of a common action policy. The functions involving strategic coordination, provision of services and, in general, definition and implementation of Alantra's own management model comprise a business unit that corresponds to the segment identified as "Structural" (as defined in the notes to the consolidated financial statements and in the attached "Glossary of Terms").

That structure and, specifically, the strategic coordination and financial management departments support the Board of Directors de the Company in its decisions regarding the third area of activity of the Company, Portfolio or Investment:

-*Portfolio or Investment*: this activity consists of obtaining capital gains by investing and subsequently selling stakes in companies or in investment funds or vehicles managed by the Alantra Group management teams. The current investment portfolio has a dual origin: (i) in the companies invested in by the Company in its previous role as venture capital firm before the integration with the N+1 Group

and which, at the date of that integration, had not yet been disposed of or sold; and (ii) investments of the Alantra Group in vehicles managed or advised by the Group itself.

## 2. Business performance and earnings

### 2.1. Summary of 2016

**Activity**

For financial markets, 2016 was a relatively complicated year, marked by important geopolitical events. The year saw a shift from fear of an important slowdown at the macro level to a better situation with positive, though timid, growth rates in the United States and in Europe.

Of great note was the referendum in which the British decided to leave the European Union: stock market indices, which had climbed down 15% at the beginning of the year and later rebounded then fell again after the so-called Brexit. The uncertainty associated with this process, of which stock market movements are only one more symptom, and the misgivings stirred by the US elections and other electoral contests, including Spain's, had implications for the Alantra Group's natural market, the so-called mid-market segment, slowing, when not outright halting, investment and disinvestment decisions by customers and investors.

During the year, the Alantra Group continued moving forward with its growth strategy, especially internationally, as borne out by the €43.2 million invested in various corporate transactions: the integration of C.W. Downer (to begin operating in the United States), acquisition of 50% of Landmark (to set up operations in Latin America), integration of the minority shareholders in the investment banking business in Germany and repurchase of Financière Syz's stake in the Group's Spanish private banking business. New investment banking teams were set up in Amsterdam, Athens, Stockholm, Lisbon and Beijing.

*Financial Advisory Services*

The Financial Advisory area advised 126 clients in 16 different countries in a total of 147 transactions over the course of 2016 (compared to 115 in 2015), an all-time record for the Group. The most significant deals in which Alantra provided advisory services in 2016 were: ChemChina's takeover bid for Syngenta (for approximately €42,000 million), the largest foreign acquisition by a Chinese company in history; incorporation of the first servicer in Cyprus by Hellenic Bank and APS (with some €2,400 million in assets under management); the acquisition of Schock, the world's biggest maker of granite sinks, by IK Investment Partners; the sale of 25% of Mutti, number one tomato sauce maker in Italy to the Belgian investment holding company Verlinvest; and the disposal of the German business of Charles Vögele as a result of its sale to Sempione Retail.

Also noteworthy is the Group's success in positioning itself as leader in the distressed banking segment in southern Europe, thanks in part to its experience in the bailout of the Spanish financial system. During 2016 Alantra advised on deals in Portugal, Spain, Italy and Cyprus.

*Asset Management*

The asset management division increased the volume of assets under its management to €3,488 million after raising €937 million in its different products in 2016 (versus €287 million raised in 2015). Key developments along these lines were:

- The definitive closing of Alantra Private Equity Fund III with total investment commitments of less than €450 million, making it the largest Spanish private equity fund since 2008.

- The closing of Alteralia, private debt fund with aggregate investment commitment of €140 million. This was the most active fund in its category in Spain in 2016, having invested nearly half its funds in six transactions during the year.

- The 26.2% return achieved by EQMC Fund, making it the number one global fund in its category at five and seven years according to Barclay Hedge, with a cumulative return of 221.9% since January 2010. EQMC's strategy allowed it to increase its assets under management by €400 million in 2016.

At year-end 2016 the Alantra Group's assets under management stood at €3,488 million, compared with €2,600 million at year-end 2015.

**Earnings**

NOTE: the financial information for 2015 was presented in the Directors' Report with a series of adjustments to normalise the accounting impact of the Merger that took place in July 2015. In this report all comparisons with 2015 refer to the adjusted figures (see Glossary).

*Revenues and expenses*

Net turnover for 2016 was €90.2 million versus €71.1 million in 2015, an increase of 26.9%.

The provision of financial advisory services, which include both advising to companies and entities in corporate finance operations and the provision of stock market brokerage services and analysis to institutional investors, generated revenue of €61.0 million (+50.3% over 2015 adjusted), accounting for 67.6% of the Group's net revenue. It should be noted that the revenues from the company Alantra LLC (United States) are integrated in the consolidated Group figures only as from the month of May, with the closing of the integration of Downer & Company.

Revenue from the asset management and advising activity totalled €28.1 million, a decline of 5.5% from the €29.7 million recorded in 2015. These results were highlighted by the following developments:

- Revenue from success fees, which in 2015 reached €12.3 million, fell to €6.5 million in 2016. However, revenue from management fees, of a more recurring nature than success fees, increased 24.1% over 2015.

- A large part of the assets raised in 2016, and especially those in the new venture capital fund, N+1 Private Equity Fund III, €400 million, did not generate commissions during the first half of 2016, but only as from the time they were obtained by the private equity fund, that is, since late April 2016).

- The companies through which the Group carries on its private banking activities (Alantra Wealth Management Gestión SGIIC, S.A. and Alantra Wealth Management Agencia de Valores, S.A.) were fully consolidated only as from the fourth quarter of 2016, given that the acquisition of an additional 27% of their capital from Financière Syz took place on 3 October 2016.

As described further above, operating expenses rose to €71.4 million, 41.3% higher than in 2015, reflecting the Group's growth, especially in relation to the international development of its financial advisory business.

*Net profit*

The net profit attributable to the Company in 2016 was €25.1 million, a gain of 42.2% over the adjusted net profit for 2015. Shown below is the consolidated income statement for 2016 and 2015, showing the 2015 figures adjusted for the impacts of the Merger recorded that year:

| Thousands of euros | 31/12/2016 | 31/12/2015 | % | Adjusted 31/12/2015 | % |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Investment banking | 60,990 | 40,571 | 50.3% | 40,571 | 50.3% |
| Asset management | 28,064 | 23,909 | 17.4% | 29,699 | (5.5%) |
| *Management fee* | *21,608* | *16,325* | *32.4%* | *17,414* | *24.1%* |
| *Success fee* | *6,456* | *7,584* | *(14.9%)* | *12,285* | *(47.4%)* |
| Other | 1,163 | 813 | 43.1% | 813 | 43.1% |
| TOTAL revenue | 90,217 | 65,293 | 38.2% | 71,083 | 26.9% |
| Other operating income | 43 | 9 | 377.0% | 9 | 377.0% |
| Personnel expenses | (47,881) | (33,969) | 41.0% | (35,658) | 34.3% |
| Other operating expenses | (23,006) | (17,097) | 34.6% | (14,511) | 58.5% |
| Depreciation and amortisation | (490) | (366) | 33.8% | (366) | 33.8% |
| Impairment losses and gains (losses) on disposal of non-current assets | (26) | 2 | 0.0% | 2 | (1380.9%) |
| TOTAL expenses | (71,403) | (51,430) | 38.8% | (50,533) | 41.3% |
| Other income (expense) | - | 53,561 | (100.0%) | - | - |
| Operating profit (loss) | 18,857 | 67,433 | 72.0% | 20,559 | (8.3%) |
| Net finance income (expense) attributable to the portfolio | 11,717 | 2,929 | 300.0% | 2,929 | 300.0% |
| Other net finance income (expense) | (511) | (1,000) | (48.9%) | (1,000) | (48.9%) |
| Net finance income (expense) | 11,206 | 1,929 | 481.0% | 1,929 | 481.0% |
| Share of profit (loss) of companies accounted for using the equity method | 2,520 | 2,042 | 23.4% | 2,042 | 23.4% |
| Non-controlling interests | (2,239) | (1,552) | 44.3% | (1,552) | 44.3% |
| Taxes | (5,289) | (4,166) | 27.0% | (5,362) | (1.4%) |
| NET PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT | 25,055 | 65,686 | (61.9%) | 17,616 | 42.2% |
| NET PROFIT (LOSS) OF THE FEE BUSINESS | 15,781 | 9,826 | 60.6% | 15,317 | 3.0% |
| NET PROFIT (LOSS) OF THE PORTFOLIO | 9,116 | 2,804 | 225.1% | 2,804 | 225.1% |
| ORDINARY NET PROFIT (LOSS) | 24,897 | 12,630 | 97.1% | 18,121 | 37.4% |

| Earnings per share | 31/12/2016 | 31/12/2015 | % | 31/12/2015 Adjusted | Adjusted % (*) |
|---|---|---|---|---|---|
| Basic | 0.74 | 2.40 | (69.2%) | 0.54 | 37.0% |
| Diluted | 0.72 | 2.40 | (70.0%) | 0.54 | 33.3% |

(*) Calculated by dividing the adjusted ordinary net profit (loss) by the weighted average number of shares outstanding since the date of the merger

## Balance sheet

The equity attributable to the parent company stood at €187 million at 31 December 2016. This represents a net increase in the year-end 2015 equity figure of €179.1 million. This increase was the result of the capital increases described in Note 14 (which funded part of the corporate deals) as well as profits generated in 2016.

In 2016 the Company made a distribution of €16.6 million against the share premium account. In December 2016, the General Shareholders' Meeting approved an additional distribution of €8.8 million of the share premium. That distribution was pending payment at the end of the year and is therefore recorded under current liabilities in the consolidated balance sheet. The distribution was paid on 31 January 2017.

The total non-current assets figure in the consolidated balance sheet was €103.8 million at year-end, reflecting the following movements:

- Increase in intangible assets as a result of the corporate transactions described above, specifically, in the goodwill generated during the first half of the year of €25.8 million as a result of the conclusion of the integration of Downer & Company (now called Alantra LLC) and of the acquisition of an additional 27% of the companies Alantra Wealth Management Gestión SGIIC, S.A. and Alantra Wealth Management Agencia de Valores, S.A. (with the two forming a single cash generating unit) in the fourth quarter of the year for €4.5 million, together with other corporate transactions that had a smaller effect.

- Increase in the amount represented by holdings accounted for using the equity method, specifically the acquisition of equity in the Landmark Capital Group closed during the first half of 2016.

With respect to current assets, "Cash and cash equivalents" in the consolidated balance sheet decreased from €113.3 million at year-end 2015 to €101.6 million at the close of 2016. In addition, the Company has deposits of €7.9 million in credit institutions recorded under "Other current assets" in consolidated balance sheet, as well as monetary investments of €10 million under "Non-current financial assets", bearing out the Group's capacity to generate cash while at the same time making investments pursuant to its growth strategy and maintaining its dividend distribution policy.

### 2.2. Environmental and personnel matters

2.2.1. Environment

Given the nature of the activity carried on by the Alantra Group companies, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be significant in relation to their net assets, financial position and earnings.

For this reason, these notes to the 2016 consolidated financial statements do not include specific itemisations with respect to information on environmental issues.

2.2.2. Personnel

The information on questions relating to personnel of the entities in the Alantra Group is detailed in Notes 5 and 25 to the consolidated financial statements for 2016.

## 3. Liquidity and capital resources

The Alantra Group has a solid balance sheet liquidity position (€102 million in liquidity, without including positions in monetary investments and short-term deposits in financial institutions). Furthermore, it has no financial indebtedness (see Glossary of Terms).

Capital is controlled and managed in consonance with the nature of the Alantra Group as a consolidated group of investment firms, analysing the capital bases (on a consolidated basis and separately for each of the regulated companies in the Alantra Group) and calculating capital adequacy ratios as provided in the rules and standards.

Note 21 to the consolidated financial statements includes more detailed information on capital management.

## 4. Main risks and uncertainties

*Dependence on the evolution of financial markets and sensitivity to changes in the macroeconomic situation*

The activities and services of the Company and its subsidiaries are strongly correlated with the evolution of financial markets. Adverse situations or changes in financial markets could have a significant negative impact on the activities and earnings of the Alantra Group. Specifically, that evolution could have a negative effect on each area of the Company's activity as follows:

- Risk associated with the financial advisory activity. The Group provides financial advisory services in corporate finance and capital structure primarily to small and mid-cap companies, and financial analysis and stock market brokerage services to institutional investors.

  Services of this kind can be significantly affected by the general conditions in domestic and international financial markets and by the national and international macroeconomic situation prevailing from time to time. Accordingly, adverse situations or tightening of financial markets tend to reduce the number of corporate deal-making by the companies served by the Group's financial advisory activity, to less activity by customers of its brokerage services, and hence to less demand for the Group's services from its customers, which can hurt the Group's revenues.

- Risk associated with the asset management and advising activity. The Group manages and advises assets of varied nature. Adverse situations in financial markets would have a negative effect on the valuation of the assets managed by the Group and on its capacity to attract assets from new investors to the management or advisory activity. A favourable situation in financial markets is a key factor for promoting new investment vehicles and for their size. Tightening financial markets or a worsening of macroeconomic circumstances domestically or internationally would constrain the Group's capacity to attract assets and to promote the new investment vehicles that are one of its prime sources of recurring revenue.

- Risk associated with the investment activity. The Group's investment activity consists (i) near and medium-term, of maintaining and disinvesting its current portfolio of equity holdings that originated from its former venture capital activity, and (ii) of new investments in assets and products managed by the Company or its group or related to its management/advisory activity.

*Liquidity risk*

Liquidity constraints have significant and varied effects on the different activities of the Group. In relation to the advisory business, liquidity restrictions will entail greater difficulties for executing corporate deals in which the Group can provide its services, and a lower volume of brokerage activity. The management/advisory activity will be affected by the risk of the investment vehicles managed failing to meet their liquidity commitments, be it vis-à-vis the investors or third parties, and the Group's own investment activity will be affected by the illiquidity of its portfolio positions and difficulty in disinvesting and obtaining liquidity to make new investments. Consequently, liquidity restrictions hurt the Company's capacity to obtain ordinary recurring revenue. Nevertheless, the Company has liquidity risk management mechanisms that are primarily based on anticipating stress scenarios and liquidity constraints to allow it to take measures to mitigate the risk.

*Credit risk*

The Group is exposed to credit risk in relation to the possibility of its counterparties not fulfilling their commitments. That credit risk affects the Group in different ways depending on the specific activity involved.

In the corporate finance advisory activities, credit risk is limited to the risk of customers defaulting on the remuneration covenanted as consideration for the services they receive from the Group. Such non-payment of the Group's remuneration by customers would imply loss of projected revenues and have a negative effect on its earnings. The Group mitigates credit risk in the financial advisory activity by screening the prestige and creditworthiness of customers before approving any extension of credit. The Group also takes credit risk into consideration when designing its remuneration policy, particularly in relation to the variable components of remuneration.

The Group's intermediation activity carried on through its subsidiary Alantra Equities Sociedad de Valores, S.A. can increase its credit risk exposure if the customers of that subsidiary default on their settlement obligations in respect of the trades it brokers. This risk is managed by the Group using risk control procedures based on setting credit limits for its customers, service providers and other counterparties based on their net worth and solvency.

In the asset management activity, credit risk is limited by the Group's ability to invoice and assess management fees directly against the accounts that the vehicles it manages hold in their respective depositary institutions or custodians. As a result, this risk is confined to the advisory activity for those vehicles.

*Interest rate risk*

The Company and the vehicles managed by its subsidiaries may draw on outside financing in order to undertake their investments. This implies interest rate risk, as a rise in rates will have direct impact on the finance costs borne by the Group or its managed vehicles, as well as on their internal rates of return.

*Other risks*

There are other risks (risk arising from guarantees granted in the financing agreements of investees, collateral, reputational risk, etc.) that can affect the Group.

## 5. Significant post-balance sheet events

There have been no material events between the close of the year and date of preparation of these consolidated financial statements other than those disclosed in the Notes.

## 6. Information on the projected performance of the entity

The Alantra Group has a solid balance sheet. That position is the basis on which it can progressively comply with the strategic lines drawn by the Company: continue migrating from a portfolio business model toward a business model focused on recurring generation of profits through the financial advisory (investment banking) and asset management activities. With respect to the pursuit of the strategy in 2017, the following goals bear emphasis:

- In the financial advisory area, the Group will continue promoting its international expansion by opening offices in new countries, after the integration of CW Downer and the reinforcement of all the openings and acquisitions carried out in 2015 and 2016, all of which should materialise in revenue growth.

- With respect to asset management, after the close of the venture capital and debt funds, and the increase in the managed assets of activist funds (specifically, the EQMC), it is projected that 2017 and ensuing years will be characterised by higher recurring revenue from management fees.

  It is also expected that the volume of assets managed by the Group's asset advisory business unit will increase in 2017 in line with the trend of recent years.

All of the above should, in any event, be evaluated by the light of the trends in capital markets and, in general, in the macroeconomic situation, both of which exert clear influence on the Company's activity.

This directors' report contains forward-looking statements on plans, projections and estimates by the directors that are based on assumptions they regard as reasonable. However, the user of this report should bear in mind that such forward-looking information offers no assurances as to the future performance of the entity, as those plans, projections and estimates are subject to numerous risks and uncertainties that imply that said future performance may differ from the initially projected performance. Those risks and uncertainties are described throughout the directors' report.

## 7. R&D&i activities

The Group and its member companies have not carried on any research and development activity.

## 8. Acquisition and disposal of treasury shares

The Alantra policy on treasury shares is approved by the Board of Directors of the Company on the basis of the general authorisation granted to the Board of Directors by the shareholders at the General Meeting of 27 April 2016 on the following terms:

a) Types: sale-purchase, swap, loan, acceptance of treasury shares as collateral and enforcement of those guarantees granted for the benefit of the Company or of any of the companies in its group, dation in payment and, in general, any other type of acquisition for valuable consideration of outstanding, fully paid in shares permitted by law.

b) Term of the authorisation: five years after the date of the resolution.

c) Maximum number of shares that can be acquired: up to 10% of the Company's share capital existing from time to time or, if applicable, such higher figure as may be legally admissible during the term of this authorisation.

d) Maximum and minimum prices: the minimum price will be equal to the nominal value and the maximum price will be up to 10% higher than the maximum price at which the shares were traded in the Continuous Market session of the day immediately preceding the acquisition. Notwithstanding the above, in the case of acquisition of own shares as a result of the exercise of rights or fulfilment of obligations under option, forward sale or similar contracts or agreements previously entered into by the Company or by members of its group (and, in particular, by way of illustration and without limitation, agreements with executives, employees or directors of the Company or its subsidiaries to buy back the Company they hold directly and indirectly in the event of departure from the group of said executives, employees or directors), the price or consideration per share will range between a minimum equal to 0.01 euros and a maximum of up to 10% higher than the maximum price at which the shares were freely traded (including in the block market) in the Continuous Market session of the day immediately preceding the day on which the treasury shares acquisition transaction is agreed, signed or executed, as applicable.

e) Use of the shares: the shares acquired by the Company or its subsidiaries may, in full or in part, be disposed of or awarded to directors and employees of the Company, where such right has been recognised, either directly or as a result of the exercise of option rights they hold, for the purposes provided for in Article 146.1.a) of the Spanish Corporate Enterprises Act. They may also be used in

programmes that foster equity ownership in the Company such as, for example, dividend reinvestment plans, loyalty bonuses or other similar arrangements.

The shares thus acquired will not have voting rights or any other non-financial rights, and their financial rights will be proportionally allocated to the rest of the shares, except for the right to bonus shares, in accordance with the terms of Article 148.a) of the Spanish Corporate Enterprises Act. The authorisation supersedes the authorisation granted by the General Meeting of shareholders of 11 June 2014 for derivative acquisition of treasury shares.

The Company's Internal Rules of Conduct regulate certain obligations which the Company must fulfil in development of its treasury stock policy. In this regard, Article 12.2 of the Internal Rules of Conduct provides the Company must always act within the limits of the authorisation granted by the General Shareholders' Meeting and the transactions must in all cases involve the execution of specific purchase programmes and plans; the delivery of treasury shares in future corporate deals; or other legitimate purposes admissible under the applicable laws and regulations, such as augmenting the liquidity and regularity of trading in the Company's shares.

In any event, the Company's treasury stock policy will in no event aim to intervene in the free formation of prices and will always be carried out in the interests of the Company and its shareholders.

The information on the Company's treasury shares is described in detail in Note 14 to the accompanying consolidated financial statements.

## 9. Other material information

### *9.1. Stock market performance*

During 2016 the share appreciated 4.2%. The Ibex 35 declined 2% and the Ibex Small Caps rose 8.9%.

The share had a trading volume of 1.7 million shares for the year.

### *9.2. Dividend policy*

The Extraordinary General Meeting of Shareholders on 13 December 2016 approved a distribution of €0.25 euros per share against the share premium. The payment, totalling €8.8 million, was made on 31 January 2017.

In addition, the Board of Directors has brought a proposal before the General Shareholders' Meeting of 2017, scheduled for late April, for an additional distribution of the share premium of €0.35 per share. If approved, the remuneration for 2016 would amount to €0.60 per share, for a pay-out ratio of 81.1%.

These distributions reflect the Group's goal of ensuring high shareholder remuneration and are expected to continue in the future.

### *9.3. Average payment period to suppliers*

The information on the average payment period to suppliers is given in Note 26.a) to the accompanying consolidated financial statements.

### *9.4. Customer service office*

The information on the customer service office is given in Note 2.12 to the accompanying consolidated financial statements.

## GLOSSARY OF TERMS

### Business segments identified

- "**Business Segment**" means each operating segment or identified component of Alantra classified as such because (a) it carries on business activities that can generate revenue and incur expenses (including revenues and expenses from transactions with other components of the same entity); (b) its operating results are examined at regular intervals at the highest level of operating decision making in the entity in order to decide the resources that should be allocated to the segment and assess its performance; and (c) differentiated financial information is available in relation to the segment.

- **"Financial Advisory" (Investment Banking).** Identified business segment in Alantra which (per the definition given in the prospectus on admission to trading of the new shares as a consequence of the Merger, hereinafter, "the Prospectus", registered with the CNMV on 28 July 2015) includes financial advisory services to companies and entities in corporate finance operations, as well as the provision of stock market brokerage and analytical services to institutional investors.

- **"Asset Management".** Identified business segment in Alantra which, per the information given in the Prospectus, consists in managing and advising assets of different types for institutional investors, wealthy families and other professional investors and which is provided through specialised investment funds or through customer investment portfolios.

- **"Structural".** Identified business segment in Alantra that includes revenues and expenses related to the governance structure and development of the Alantra Group (corporate governance, strategic coordination, corporate and business development, and corporate services, such as accounting and reporting, risk control, IT systems, human resources management and legal services, amongst others) and which, because they refer to the parent company of the Group (as listed company) or to the overall management thereof, are not directly attributable to the Financial Advisory or Asset Management or Portfolio segments. The Structural segment also includes invoicing of services in relation to Alantra Group companies that are classified as associates, that is, that are not fully consolidated. In Alantra's current growth phase, both in corporate and business terms, the importance of services classified as Structural justifies its consideration as an independent segment.

- **"Portfolio".** Identified business segment in Alantra that is defined, as stated in the Prospectus, as the activity of obtaining capital gains by investing and subsequently selling stakes in companies or in investment funds or vehicles managed by the Alantra Group management teams. The current investment portfolio has a dual origin: (i) in the companies invested in by the Company as venture capital firm before the Merger and which, at the date of the Merger, had not yet been disposed of or sold; and (ii) investments of the Alantra Group in vehicles managed or advised by the Group itself.

- **"Rest".** This is a residual category that includes all activities that do not belong in any of the four previous business segments (that is, neither Financial Advisory, nor Asset Management, nor Structural, nor Portfolio).

- **"Fee Business".** This is the grouping or aggregation of the Financial Advisory, Asset Management and Structural segments, and is defined as a whole as the service provision activity, be it advisory or management services, the revenue from which is in the form of remuneration or fees and the expenses of which are those needed for its pursuit, mainly personnel expenses. Specifically excluded from the Fee Business are losses or gains originating from investments of the Group's parent company in the companies that carry on said activities (for example, from the sale of interests in companies or businesses, impairment of goodwill or net financial income from foreign currency), which are included in the Rest segment.

The reason for attributing 100% of the activity of the Structural segment to the Fee Business is that the greater part of time and/or funds invested in Structure are used to manage the growth and complexity from the activity classified in the Financial Advisory and Asset Management segments. This concept is especially significant because several alternative performance measures (APMs) are constructed on it.

- **"Ordinary Business".** Grouping or aggregation of segments comprised by the Fee Business (Financial Advisory, Asset Management and Structural) plus the Portfolio segment.

<u>Alternative performance measures</u>

- **"Alternative performance measure"** is a financial measure of past or future financial performance, financial position or cash flows of a company other than the financial measures defined or detailed in the applicable financial reporting framework.

- **"Adjusted".** This term indicates certain lines of the income statement of 2015 (and only of 2015) to which there were applied, as explained in the Directors' Report for that year, any of the following adjustments as a result of the Merger:

  a) Adjustment for Merger expenses, that is, for extraordinary items relating to the execution of the Merger: expenses of advisors, of preparing specific reports or duplication (during a transitional phase) of similar items in the two merged companies.

  b) Pro forma adjustments for management fees and expenses of the portfolio generated from the date of the Merger until the sale to two institutional investors on 23 December 2015 of 92.5% of the capital of Nmás1 Dinamia Portfolio SCR, S.A., company through which the Company maintained a significant part of its investment portfolio.

  c) The caption "Other results (consolidation difference)" arises at the time of the Merger as the difference between the market value of the Company's outstanding shares at that time and the aggregate amount of its assets and liabilities that were integrated in the balance sheet of N+1, as merged entity, at market price.

- **"Fee Business Net Profit"** means the profit generated from the provision of advisory and management services of the Fee Business (that is, the Financial Advisory, Asset Management and Structural segments), the revenue from which is in the form of remuneration or fees and the expenses of which are those needed for its pursuit, mainly personnel expenses.

  The Fee Business Net Profit is calculated as the sum of the Profit attributable to the parent company in respect of the said three segments.

  The distinct nature of the two areas of Alantra's activity (Fee Business and Portfolio) justifies the relevance of specifically identifying the net profit from the Fee Business attributable to the parent company in the information released to the market.

- **"Portfolio Net Profit"** is the profit generated from investment and subsequent sale of holdings in companies, investment funds or investment vehicles managed by the Alantra Group. The Portfolio Net Profit is equal to the profit attributable to the parent company in respect of the Portfolio segment.

  The distinct nature of the two areas of Alantra's activity (Fee Business and Portfolio) justifies the relevance of specifically identifying the Portfolio Net Profit attributable to the parent company in the information released to the market.

- **"Ordinary Net Profit"** is the profit generated by the Group's normal or ordinary activity, that is, the activity included in the Financial Advisory, Asset Management and Portfolio segments. Ordinary Net Profit is calculated as the sum of the Fee Business Net Profit and the Portfolio Net Profit.

  Ordinary Net Profit is a significant indicator or net profit (or profit attributable to the parent company) and for determining what part of net profit comes from the company's ordinary activity and not from extraordinary items.

- **Financial Indebtedness** is the aggregate volume of the Group's debt to banks, credit institutions and similar entities for the purpose of funding its activity. This does not include debts to employees, suppliers or companies within the scope of consolidation or their shareholders. It likewise does not include liabilities to banks, credit institutions or similar entities if those liabilities have specific associated assets of the same amount.

  Financial indebtedness is calculated as the sum of the balance sheet captions grouped under "Debts with financial institutions" that meet the criteria mentioned in the definition of this Measure, which means it does not include the €2,616 thousand recorded under liabilities in the consolidated balance sheet at 31 December 2016.

  Financial Indebtedness is a significant indicator in evaluating the Group's consolidated balance sheet.

- **"Pay Out"** means the percentage of the Group's profits that the Company distributes to its shareholders.

  It is calculated by dividing the aggregate amount per share distributed by the Company to its shareholders for a given period (whether as dividends or as distribution of reserves or share premium) by the diluted earnings per share generated during that period.

  The Pay Out indicates the degree to which shareholder remuneration is paid out of profit for the year (or of the period of reference).

- **Dividends Yield** means the yield obtained by the Company's shareholders from the distribution of dividends.

  The Dividend Yield is calculated by dividing the aggregate amount per share distributed by the Company to its shareholders for a given period (whether as dividends or as distribution of reserves or share premium) by the price of the share at a given date (the date that will be indicated when this Measure is mentioned).

Shareholders receive returns from two sources: from the appreciation of the share price and from the remuneration received in the form of distributions of dividends, reserves or share premium. Dividend Yield is the measure or indicator of reference for the latter source.

## 10. Annual Corporate Governance Report

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

# ANNUAL CORPORATE GOVERNANCE REPORT ON THE PUBLIC TRADED COMPANIES

## ISSUER IDENTIFICATION

| | |
|---|---|
| **REFERENCE YEAR END DATE** | 31/12/2016 |

| | |
|---|---|
| **TAX ID No.** | A81862724 |

| **REGISTERED NAME** |
|---|
| ALANTRA PARTNERS, S.A. |

| **REGISTERED ADDRESS** |
|---|
| PADILLA, 17 (MADRID) |

# ANNUAL CORPORATE GOVERNANCE REPORT ON THE PUBLIC TRADED COMPANIES

## A OWNERSHIP STRUCTURE

**A.1 Complete the following table on the company's share capital:**

| Date of last modification | Share capital (€) | Number of shares | Number of voting rights |
|---|---|---|---|
| 21/12/2016 | 106,610,880.00 | 35,536,960 | 35,536,960 |

**Indicate whether different types of shares exist with different associated rights:**

Yes [ ] No [X]

**A.2 List the direct and indirect holders of significant ownership interests in your company at year-end, excluding directors:**

| Name or corporate name of shareholder | Number of direct voting rights | Number of indirect voting rights | % of total voting rights |
|---|---|---|---|
| MR. RICARDO PORTABELLA PERALTA | 0 | 7,028,661 | 19.78% |
| STARR INTERNATIONAL, AG | 0 | 1,699,891 | 4.78% |

| Name or corporate name of indirect shareholder | Through: Name or corporate name of direct shareholder | Number of voting rights |
|---|---|---|
| MR. RICARDO PORTABELLA PERALTA | ANPORA PATRIMONIO S.L. | 7,028,661 |
| STARR INTERNATIONAL, AG | STARR INTERNATIONAL COMPANY, INC | 1,699,891 |

Indicate the most significant movements in the shareholder structure during the year:

| Name or corporate name of shareholder | Transaction date | Description of transaction |
|---|---|---|
| ELECTRA PARTNERS, LLP | 02/08/2016 | Reduction of 3% of share capital |
| ELECTRA PRIVATE EQUITY PARTNERS 1995 | 02/08/2016 | Reduction of 3% of share capital |

A.3 Complete the following tables on company directors holding voting rights through company shares:

| Name or corporate name of director | Number of direct voting rights | Number of indirect voting rights | % of total voting rights |
|---|---|---|---|
| MR. SANTIAGO BERGARECHE BUSQUET | 4,522 | 4,729 | 0.03% |
| MR. RAFAEL JIMÉNEZ LÓPEZ | 510 | 0 | 0.00% |
| MR. JOSÉ JAVIER CARRETERO MANZANO | 10,000 | 0 | 0.03% |
| MR. JORGE MATAIX ENTERO | 360,038 | 2,394,742 | 7.75% |
| MR. SANTIAGO EGUIDAZU MAYOR | 660,209 | 6,072,171 | 18.94% |
| MR. JOSÉ ANTONIO ABAD ZORRILLA | 340,038 | 2,424,094 | 7.78% |

| Name or corporate name of indirect shareholder | Through: Name or corporate name of direct shareholder | Number of voting rights |
|---|---|---|
| MR. SANTIAGO BERGARECHE BUSQUET | KARENZA INVERSIONES SICAV, S.A. | 4,729 |
| MR. JORGE MATAIX ENTERO | DIRERVALOR, S.A. | 2,145,518 |
| MR. JORGE MATAIX ENTERO | ENÉSIMA INVERSIONES, S.L. | 104,668 |
| MR. JORGE MATAIX ENTERO | TASMANIA INMUEBLES, S.L. | 144,556 |
| MR. SANTIAGO EGUIDAZU MAYOR | CERTIMAB CONTROL, S.L. | 5,698,411 |
| MR. SANTIAGO EGUIDAZU MAYOR | TASMANIA INMUEBLES, S.L. | 216,781 |
| MR. SANTIAGO EGUIDAZU MAYOR | ENÉSIMA INVERSIONES, S.L. | 156,979 |
| MR. JOSÉ ANTONIO ABAD ZORRILLA | AV MÁLAGA CAPITAL, S.L. | 2,174,870 |
| MR. JOSÉ ANTONIO ABAD ZORRILLA | ENÉSIMA INVERSIONES, S.L. | 104,668 |
| MR. JOSÉ ANTONIO ABAD ZORRILLA | TASMANIA INMUEBLES, S.L. | 144,556 |

| | |
|---|---|
| % total voting rights held by the board of directors | 34.53% |

Complete the following tables on share options held by directors:

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

**A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:**

**A.6 Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital* or LSC). Provide a brief description and list the shareholders bound by the agreement, as applicable:**

Yes [X] No [ ]

| Parties to shareholders' agreement |
|---|
| MR. PAUL A. COLONE |
| MR. FRANK MERKEL |
| NMAS1 U.S. CORPORATION |
| ALANTRA INTERNATIONAL CORPORATE ADVISORY, S.L. |
| ALANTRA PARTNERS, S.A. |
| UPPER PARTNERS, LLC |
| VIKING ACQUISITION GROUP, INC |
| THE ROUNTREE COMPANY |
| EAST INDIA, INC |
| RADIANT ASSOCIATES, INC |

**Percentage of capital affected:** 3.55%

**Brief description of the agreement:**

As a result of the entry in the Company's shareholder base of the former shareholders of Downer & Company LLC (the "American Shareholders") with the subscription of 1,262,652 shares (the "Shares") in the capital increase approved at the Extraordinary General Meeting of 13 December 2016, certain shareholders' agreements have entered into effect that restrict or condition the free transferability of the Shares (the "American Shareholders' Agreements"). Those agreements are set out in the following documents:

a. Shareholders' Agreements contained in the sale-purchase contract of 24 November 2015 for the acquisition by the Alantra Group of all of the & Company, LLC shares.
b. Shareholders' Agreements contained in the Transaction Covenants Agreement of 27 April 2016, which includes a series of supplementary agreements to the sale-purchase contract referred to in the preceding subparagraph.

| Parties to shareholders' agreement |
|---|
| MR. CHRISTOPHER JOBST |
| MR. MAXIMILIAN ANDREAS ROHARDT |
| MR. KONSTANTIN KASTIUS |
| MR. CHRISTOPH HEINRICH HANDRUP |
| MR. BERND SCHNEIDER |
| MR. ROBERT VON FINCKENSTEIN |
| MR. JENS PETER SCHMADEL |
| MR. JUAN CARLOS MONTOYA GÓMEZ |
| MR. WOLFRAM SCHMERL |
| ALANTRA DEUTSCHLAND GMBH |
| ALANTRA INTERNATIONAL CORPORATE ADVISORY, S.L. |
| ALANTRA PARTNERS, S.A. |

**Percentage of capital affected:** 1.70%

**Brief description of the agreement:**

As a result of the entry in the Company's shareholder base of the executives of Alantra Deutschland (the "German Shareholders") with the subscription of 604,124 shares (the "Shares") in the capital increase approved at the Extraordinary General Meeting of 13 December 2016, certain shareholders' agreements have entered into effect that restrict or condition the free transferability of the Shares (the "German Shareholders' Agreements"). Those agreements are contained in the Shareholders' Agreement signed on 19 September 2016.

| Parties to shareholders' agreement |
|---|
| MR. LORENZO ASTOLFI |
| AV MÁLAGA CAPITAL, S.L. |
| CERTIMAB CONTROL, S.L. |
| DIRERVALOR, S.A. |
| MR. JACOBO LLANZA FIGUEROA |
| MR. DAVID SANTOS MARTINEZ |
| MR. JOSÉ ANTONIO ABAD ZORRILLA |
| MR. SANTIAGO EGUIDAZU MAYOR |
| MR. FRANCISCO DE JUAN URIARTE |
| MS. PATRICIA PASCUAL RAMSAY |
| MR. MIGUEL HERNÁNDEZ MAESTRO |
| MR. MARIANO MORENO HERNÁNDEZ |
| MR. JORGE MATAIX ENTERO |
| MR.PABLO ROSAL MUNTADAS-PRIM |

| Parties to shareholders' agreement |
|---|
| MR. OSCAR GARCÍA CABEZA |
| MR. LUIS IGLESIAS ROVIRA |
| MR. JAIME PORRAS LÓPEZ |
| MR. LUIS ALTAREJOS JIMÉNEZ |
| MR. BRUNO DELGADO DE LUQUE |
| MR. FEDERICO PASTOR ARNAUDA |
| MR.FRANCISCO IGNACIO DE CACERES CABRERO |
| MR. FRANCISCO ALBELLA AMIGO |
| MR. JAVIER ARANA AGUINAGA |
| MR. GUILLERMO ARBOLÍ RODRÍGUEZ |
| MR. ROBERTO LEÓN GARCÍA |
| MR. JULIÁN CEPEDA HERREROS |
| MR. CARLOS RODRÍGUEZ-VIÑA NIETO |
| MS. MARÍA JESÚS GARCÍA POZO |
| MR. GONZALO DE RIVERA GARCÍA DE LEÁNIZ |
| MR. GONZALO LÓPEZ PORTILLO |

**Percentage of capital affected:** 51.46%

**Brief description of the agreement:**

On 26 March 2015, the shareholders of N más Uno IBG, S.A. (currently merged with Alantra Partners, S.A. formerly Nmás1 Dinamia, S.A.) signed the so-called "Non-compete Commitments and Pacts in the Event of the Withdrawal of Professional Shareholders", recorded as a public deed on the same date before the Madrid notary, Mr. Manuel Richi Alberti, and filed under entry 907 of his register.
This agreement was signed so that the shareholders of Alantra Partners, S.A. from N más Uno IBG, S.A. which, after the aforesaid merger, were to continue their professional relationship with Alantra Partners, S.A. or the group thereof, would assume certain non-compete commitments. Based on these commitments, certain obligations were established whereby they would sell their shares in the Company in the event that, over a certain period, they severed their employment or business relationship with Alantra Partners, S.A. or with its Group companies.

| Parties to shareholders' agreement |
|---|
| MR. LORENZO ASTOLFI |
| AV MÁLAGA CAPITAL, S.L. |
| CERTIMAB CONTROL, S.L. |
| DIRERVALOR, S.A. |
| MR. CRISTÓBAL RODRÍGUEZ AGUIRRE |
| MR. JACOBO LLANZA FIGUEROA |
| MR. DAVID SANTOS MARTINEZ |

| Parties to shareholders' agreement |
|---|
| MR. JOSÉ ANTONIO ABAD ZORRILLA |
| MR. SANTIAGO EGUIDAZU MAYOR |
| MR. FRANCISCO DE JUAN URIARTE |
| MS. PATRICIA PASCUAL RAMSAY |
| MR. MIGUEL HERNÁNDEZ MAESTRO |
| MR. MARIANO MORENO HERNÁNDEZ |
| MR. JORGE MATAIX ENTERO |
| MR. CARLOS HERNÁNDEZ BUENO |
| MR.PABLO ROSAL MUNTADAS-PRIM |
| MR. OSCAR GARCÍA CABEZA |
| MR. FERMÍN MATESANZ POSTIGO |
| MR. LUIS IGLESIAS ROVIRA |
| MR. JAIME PORRAS LÓPEZ |
| MR. LUIS ALTAREJOS JIMÉNEZ |
| MR. BRUNO DELGADO DE LUQUE |
| MR. FEDERICO PASTOR ARNAUDA |
| MR.FRANCISCO IGNACIO DE CACERES CABRERO |
| MR. FRANCISCO ALBELLA AMIGO |
| MR. JAVIER ARANA AGUINAGA |
| MR. GUILLERMO ARBOLÍ RODRÍGUEZ |
| MR. ROBERTO LEÓN GARCÍA |
| MR. JULIÁN CEPEDA HERREROS |
| MR. CARLOS RODRÍGUEZ-VIÑA NIETO |
| ANPORA PATRIMONIO, S.L. |
| MS. MARÍA JESÚS GARCÍA POZO |
| MR. GONZALO DE RIVERA GARCÍA DE LEÁNIZ |
| MR. JOSE LUIS DEL RÍO GALÁN |
| MS. ANA MARÍA VIZCAÍNO OCHOA |
| MR. GONZALO LÓPEZ PORTILLO |
| MR. LORENZO MARTÍNEZ MÁRQUEZ |

**Percentage of capital affected:** 74.69%

**Brief description of the agreement:**

On 26 March 2015, the shareholders of N más Uno IBG, S.A. (currently merged with Alantra Partners, S.A. formerly Nmás1 Dinamia, S.A.) signed the so-called "Share Lock-up Commitments", recorded as a public deed on the same date before the Madrid notary, Mr. Manuel Richi Alberti, and filed under entry 906 of his register. This agreement was signed so that Alantra Partners, S.A.

shareholders from N más Uno IBG, S.A. would assume certain lock-up commitments regarding Alantra Partners, S.A. shares obtained through the exchange as part of the merger.

| Parties to shareholders' agreement |
|---|
| ENÉSIMA INVERSIONES, S.L. |
| TASMANIA INMUEBLES, S.L. |
| AV MÁLAGA CAPITAL, S.L. |
| DIRERVALOR, S.A. |
| MR. CRISTÓBAL RODRÍGUEZ AGUIRRE |
| MR. JACOBO LLANZA FIGUEROA |
| MR. SANTIAGO EGUIDAZU MAYOR |
| MS. PATRICIA PASCUAL RAMSAY |
| MR. MIGUEL HERNÁNDEZ MAESTRO |
| MR. OSCAR GARCÍA CABEZA |
| MR. FERMÍN MATESANZ POSTIGO |
| MR. LUIS IGLESIAS ROVIRA |
| MR. JAIME PORRAS LÓPEZ |
| MR. LUIS ALTAREJOS JIMÉNEZ |
| MR. BRUNO DELGADO DE LUQUE |
| MR. FEDERICO PASTOR ARNAUDA |
| MR.FRANCISCO IGNACIO DE CACERES CABRERO |
| MR. FRANCISCO ALBELLA AMIGO |
| MR. GUILLERMO ARBOLÍ RODRÍGUEZ |
| MR. ROBERTO LEÓN GARCÍA |
| MR. SANTIAGO BERGARECHE BUSQUET |
| MR. JULIÁN CEPEDA HERREROS |
| MR. JOSE LUIS DEL RÍO GALÁN |

**Percentage of capital affected:** 3.58%

**Brief description of the agreement:**

On 6 July 2015, a certain number of N más Uno IBG, S.A. shareholders signed a novation agreement to replace the purchase option agreement concerning shares in this company initially signed in 2009. The novation was signed in relation to the merger, which was in progress at that time, between N más Uno IBG, S.A. and Alantra Partners, S.A., formerly Nmás1 Dinamia, S.A. As the acquirer is a listed company, among other matters, the initial pact was adapted to take into account the new publicly traded status of the shares subject to this contract.

**Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:**

Yes [ ] No [X]

**Expressly indicate any amendments to or termination of such agreements or concerted actions during the year:**

The Company is not aware of the existence of any amendment or termination of those agreements or concerted actions.

**A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 4 of the Spanish Securities Market Act (*Ley del Mercado de Valores*). If so, identify:**

Yes [ ] No [X]

**A.8 Complete the following tables on the company's treasury shares:**

At year end:

| Number of shares held directly | Number of shares held indirectly (*) | % of total share capital |
|---|---|---|
| 153,941 | 0 | 0,43% |

(*)Through:

**Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007:**

No significant changes during the year.

**A.9 Give details of the applicable conditions and time periods governing any resolutions of the general shareholders' meeting to issue, buy back and/or transfer treasury shares.**

The Annual General Shareholders' Meeting of 27 April 2016 authorised the Company's Board of Directors to, in the name of the Company, resolve to carry out a derivative acquisition of treasury shares and to subsequently dispose of those shares.

1.Types: sale-purchase, swap, loan, acceptance of treasury shares as collateral and enforcement of those guarantees granted for the benefit of the Company or of any of the companies in its group, dation in payment and, in general, any other type of acquisition for valuable consideration of outstanding, fully paid in shares permitted by law.

2.Term of the authorisation: five years after the date of the resolution.

3.Maximum number of shares that can be acquired: up to 10% of the Company's share capital existing from time to time or, if applicable, such higher figure as may be legally admissible during the term of this authorisation.

4.Maximum and minimum prices: the minimum price will be equal to the nominal value and the maximum price will be up to 10% higher than the maximum price at which the shares were freely traded in the Continuous Market session of the day immediately preceding the acquisition. Notwithstanding the above, in the case of acquisition of own shares as a result of the exercise of rights or fulfilment of obligations under option, forward sale or similar contracts or agreements previously entered into by the Company or by members of its group (and, in particular, by way of illustration and without limitation, agreements with executives, employees or directors of the Company or its subsidiaries to buy back the Company they hold directly and indirectly in the event of departure from the group of said executives, employees or directors), the price or consideration per share will range between a minimum equal to 0.01 euros and a maximum of up to 10% higher than the maximum price at which the shares were freely traded (including in the block market) in the Continuous Market session of the day immediately preceding the day on which the treasury shares acquisition transaction is agreed, signed or executed, as applicable.

5.Use of the shares: the shares acquired by the Company or its subsidiaries may, in full or in part, be disposed of or awarded to directors and employees of the Company, where such right has been recognised, either directly or as a result of the exercise of option rights they hold, for the purposes provided for in Article 146.1.a) of the Spanish Corporate Enterprises Act. They may also be used in programmes that foster equity ownership in the Company such as, for example, dividend reinvestment plans, loyalty bonuses or other similar arrangements. The shares thus acquired will not have any non-financial right, including voting rights, and their economic rights will be proportionally allocated to the rest of the shares, except for the right to bonus shares, in accordance with the terms of Article 148.a) of the Spanish Corporate Enterprises Act.
The authorisation supersedes the authorisation granted by the General Meeting of shareholders of 11 June 2014 for derivative acquisition of treasury shares.

**A.9 bis. Estimated free float:**

| | % |
|---|---|
| **Estimated floating capital** | 39.78 |

**A.10 Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.**

Yes [X] No [ ]

| Description of restrictions |
|---|
| (A)Shareholders party to the "Share Lock-up Commitments" signed on 26 March 2015 and recorded as a public deed on the same date before the Madrid notary, Mr. Manuel Richi Alberti, and filed under entry 906 of his register, agreed before the other shareholders and before the Company not to offer, pledge, sell or transfer or dispose of in any other way, directly or indirectly, in whole or in part, their shares (including, but not limited to, granting call options, guaranteeing or subscribing put options, subscribing swap contracts, or any other type of contract involving the direct or indirect transfer of all or some of the economic rights inherent to the shares, and any other equivalent transaction) to third parties during the periods and in the proportions set forth below.<br>Said share lock-up commitment assumed by each professional shareholder (understood as those employed in the Alantra Group) will affect all shares acquired through the exchange as part of the Merger for a period of four (4) years as from 20 July 2015, in the following proportions:<br>(i) 100% of the shares over the first two (2) years;<br>(ii) 75% of these shares between the second and third anniversaries; and<br>(ii) 50% of these shares between the third and fourth anniversaries.<br>The share lock-up commitment assumed by so-called external senior shareholders (understood to mean Jorge Mataix Entero and José Antonio Abad and their respective holding companies) will affect all shares acquired by them through the exchange as part of the Merger for a period of eighteen (18) months as from 20 July 2015.<br>The lock-up commitment described above would be automatically rendered null and void in the following circumstances:<br>- In relation to all shareholders and to all of their shares:<br>(i) if one year after 20 July 2015, the Company's share capital is more than 50% higher than the share capital figure resulting from the Merger as the result of one or more corporate transactions; and<br>(ii) in the event of a tender offer for the Company and for purposes of accepting such offer.<br><br>"Merger" means the merger by which Dinamia Capital Privado SCR, S.A. (subsequently called Nmás1 Dinamia, S.A. and now Alantra Partners, S.A.) took over by merger N más Uno IBG, S.A., as set out in the deed of merger by takeover executed before Madrid notary public Mr. Antonio Morenés Giles on 7 July 2015 under number 1179 of his notary record and registered in the Commercial Registry of Madrid. |

(B) The German Shareholders subject to the German Shareholders' Agreement of 26 September 2016 are subject to a share lock-up of 4 years reckoned from 21 December 2016. During that time, the German Shareholders shall not (directly or indirectly) offer, sell, alienate, donate, assign (as guarantor or in any other way), mortgage, pledge, grant, transfer, encumber or subrogate an interest (legal or beneficial) in relation to the Shares of the Company.

(C) The American Shareholders subject to the American Shareholders' Agreement of 27 September 2016 are subject to a share lock-up of 4 years reckoned from 1 January 2016. During that time, the American Shareholders shall not offer, sell, lease, donate, assign, mortgage, pledge, grant, encumber, bequeath, transfer, alienate (whether directly or indirectly) interest in the Shares.

**A.11 Indicate whether the general shareholders' meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.**

Yes [ ] No [X]

**If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:**

**A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.**

Yes [ ] No [X]

**If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.**

## B GENERAL SHAREHOLDERS' MEETING

**B.1 Indicate the quorum required for constitution of the general shareholders' meeting established in the company's Bylaws. Describe how it differs from the system of minimum quorums established in the LSC.**

Yes [ ] No [X]

**B.2 Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the LSC:**

Yes [ ] No [X]

Describe how they differ from the rules established under the LSC.

**B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.**

Only the General Meeting can authorise any amendments to the Company's By-laws, in accordance with the Law, Article 13 of the Company's By-laws and Article 19 of the Regulations of the General Meeting. In this regard, Article 19.1 of the Regulations of the General Meeting establishes that an absolute majority would be required to approve any amendments to the By-laws if over 50% of the shares are present or represented at the Meeting. However, at least two thirds of the shares present or represented at the Meeting must vote in favour when at the second call, the meeting is attended by shareholders representing less than 50% of the issued capital with the right to vote.

**B.4 Indicate the attendance figures for the general shareholders' meetings held during the year:**

| | Attendance data | | | | |
|---|---|---|---|---|---|
| Date of general meeting | % attending in person | % by proxy | % remote voting | | Total |
| | | | Electronic means | Other[3] | |
| 29/04/2015 | 1.63% | 69.35% | 0.00% | 6.81% | 77.79% |
| 17/12/2015 | 35.86% | 45.01% | 0.00% | 0.00% | 80.87% |
| 27/04/2016 | 34.31% | 42.39% | 0.00% | 0.00% | 76.70% |
| 13/12/2016 | 35.55% | 48.55% | 0.00% | 0.00% | 84.10% |

**B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the general shareholders' meetings:**

Yes [ ] No [X]

**B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on general meetings which must be made available to shareholders on the website.**

The Company's website address is www.alantra.com, which includes information for shareholders and investors and the documents required by Law. Click on the option in the upper part of the page entitled "Shareholders and investors" and then on the "Corporate Governance" option to access information about corporate governance. The information about corporate governance and General Meetings is also available on the website of the CNMV (www.cnmv.es).

## C COMPANY MANAGEMENT STRUCTURE

### C.1 Board of directors

**C.1.1 List the maximum and minimum number of directors included in the Bylaws:**

| | |
|---|---|
| Maximum number of directors | 12 |
| Minimum number of directors | 5 |

**C.1.2 Complete the following table with board members' details:**

| Name or corporate name of director | Representative | Category of director | Position on the board | Date of first appointment | Date of last appointment | Election procedure |
|---|---|---|---|---|---|---|
| MR. SANTIAGO EGUIDAZU MAYOR | | Executive | CHAIRMAN | 09/07/2015 | 09/07/2015 | Vote in general shareholders' meeting |
| MR. SANTIAGO BERGARECHE BUSQUET | | Other external | VICE CHAIRMAN | 11/12/2002 | 13/06/2013 | Vote in general shareholders' meeting |
| MR. LUIS CARLOS CROISSIER BATISTA | | Independent | LEAD INDEPENDENT DIRECTOR | 22/07/2015 | 17/12/2015 | Co-option |
| MR. JOSÉ JAVIER CARRETERO MANZANO | | Independent | MEMBER | 20/03/2012 | 07/06/2012 | Co-option |
| MR. RAFAEL JIMÉNEZ LÓPEZ | | Proprietary | MEMBER | 22/03/2011 | 11/06/2014 | Co-option |
| MR. JOSÉ ANTONIO ABAD ZORRILLA | | Proprietary | MEMBER | 09/07/2015 | 09/07/2015 | Vote in general shareholders' meeting |
| MR. JORGE MATAIX ENTERO | | Proprietary | MEMBER | 09/07/2015 | 09/07/2015 | Vote in general shareholders' meeting |
| MR. ALFRED MERTON VINTON | | Other external | MEMBER | 11/11/1997 | 11/06/2014 | Vote in general shareholders' meeting |
| MS. MARÍA LUISA GARAÑA CORCES | | Independent | MEMBER | 17/12/2015 | 17/12/2015 | Vote in general shareholders' meeting |

| | |
|---|---|
| **Total number of directors** | 9 |

**Indicate any board members who left during the period:**

**C.1.3 Complete the following tables on board members and their respective categories:**

**EXECUTIVE DIRECTORS**

| Name or corporate name of director | Position held in the company |
|---|---|
| MR. SANTIAGO EGUIDAZU MAYOR | Executive chairman |

| | |
|---|---|
| **Total number of executive directors** | 1 |
| **% of the board** | 11.11% |

**EXTERNAL PROPRIETARY DIRECTORS**

| Name or corporate name of director | Name or corporate name of significant shareholder represented or proposing appointment[1] |
|---|---|
| MR. RAFAEL JIMÉNEZ LÓPEZ | ANPORA PATRIMONIO, S.L. |
| MR. JORGE MATAIX ENTERO | DIRERVALOR, S.A. |
| MR. JOSÉ ANTONIO ABAD ZORRILLA | AV MÁLAGA CAPITAL, S.L. |

| | |
|---|---|
| **Total number of proprietary directors** | 3 |
| **% of the board** | 33.33% |

**INDEPENDENT EXTERNAL DIRECTORS**

**Name or corporate name of director:**

MR. LUIS CARLOS CROISSIER BATISTA

**Profile:**

Luis Carlos Croissier Batista holds a degree in Economics from the Complutense University of Madrid and a postgraduate qualification from the University of Paris - Sorbonne.
Mr Croissier has been a lecturer in economics at the Complutense University of Madrid. Likewise, he is part of the General Technical Corps of the State Civil Service, where he has held, among others, the positions of Deputy General Chief of the Budget Office of the Ministry of Industry and Energy and Undersecretary at the Ministry of Industry and Energy. He has also held positions as Chairman of the National Institute of Industry, Minister of Industry and Energy and Chairman of the National Securities Market Commission (CNMV). Since 1996, Mr Croissier has worked as an international consultant at Eurofocus Consultores, S.L.
Mr Croissier is an independent director at Repsol, S.A. and Adveo Group International, S.A. and has also been an independent director in Adolfo Domínguez, S.A.

**Name or corporate name of director:**

MR. JOSÉ JAVIER CARRETERO MANZANO

**Profile:**

José Javier Carretero is a qualified industrial engineer from Pontificia de Comillas (ICAI) University and holds a Master's degree in economics and business management from the IESE business school. He has spent his career in the industrial sector and has been CEO of Ferroli España, S.A. and Cointra Godesia, S.A., among other positions, both part of the Italian multinational group Ferroli, which operates in the environmental comfort sector (heating, air conditioning and solar power). He was also a director of ICEX and director general of the Spanish Chamber of Commerce until June 2015. He currently holds a directorship at Isolux Corsán.

**Name or corporate name of director:**

MS. MARÍA LUISA GARAÑA CORCES

**Profile:**

María Garaña holds a Bachelor's Degree in Business Administration and Law from the University of San Pablo (CEU), studying in Madrid and London. She received the highest grade in her university degree, and also has an International Trade Diploma from the University of California at Berkeley. Moreover, Ms. Garaña holds a Master's Degree in Business Administration (MBA) from Harvard Business School (Boston).

Ms. María Luisa Garaña has performed functions as advisor and consultant in prestigious companies in different sectors, such as sales, marketing, distribution and corporate development, in different countries.

She is currently Vice President of Business Solutions for Microsoft EMEA, sharing her time between Madrid and London, and is a member of the management of the European Institute of Innovation and Technology (EIT), and is a member of the management of the listed credit institution Liberbank España (a member of its board) and Euler-Hermes (Allianz Group) and is a member of the Board of Directors of the publicly traded company Distribuidora Internacional de Alimentación, S.A.

| | |
|---|---|
| **Total number of independent directors** | 3 |
| **% of the board** | 33.33% |

**List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.**

No.

**If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.**

## OTHER EXTERNAL DIRECTORS

Identify all other external directors and explain why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders.

**Name or corporate name of director:**

MR. ALFRED MERTON VINTON

**Company, executive or shareholder with whom the relationship is maintained:**

ELECTRA PRIVATE EQUITY PARTNERS 1995

**Reasons:**

Mr. Vinton was in the past (from 2003 to June 2007) a proprietary director of Dinamia (now Alantra Partners, S.A.), representing Electra Private Equity Partners 1995, which was a significant shareholder of the Company until August 2016, and whom Mr. Vinton no longer represents on the Company's Board of Directors. Mr. Vinton maintains relations with the Electra group.

Mr. Alfred Vinton has forged his professional career at JP Morgan, holding, among other positions, the post of Deputy Chairman and CEO of the branch of JP Morgan in London; in the company NM Rothschild & Sons, Ltd. as Managing Director, and at the Bemberg Group as CEO. He has also been Chairman of Electra Partners LLC. Currently, Mr Vinton is also director of Nmas 1 Private Equity International Limited, a fund management company, and in particular the Nmas 1 Private Equity fund. He also sits on the boards of GP Investments Limited and other fund management companies.

**Name or corporate name of director:**

MR. SANTIAGO BERGARECHE BUSQUET

**Company, executive or shareholder with whom the relationship is maintained:**

OTHERS

**Reasons:**

Mr. Bergareche has been reclassified as other external director pursuant to Article 529 k 4.i) of the Spanish Limited Liability Companies Act, which prohibits anyone from being classified as an independent director when they have served as a director for more than 12 years.

At the date of this report, Santiago Bergareche is Chairman of the Board and Delegate Committee of Vocento, S.A. (the Correo Prensa Española Group), Deputy Chairman of the Ferrovial Group, and board member of Maxam. Mr. Bergareche has been General Manager of BBVA, Chairman of Metrovacesa, Chairman of Agroman, CEO of Ferrovial and Chairman of CEPSA.

| | |
|---|---|
| **Total number of other external directors** | 2 |
| **% of the board** | 22.22% |

**C.1.4 Complete the following table on the number of female directors over the past four years and their category:**

| | Number of female directors | | | | % of total directors of each type | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2016 | 2015 | 2014 | 2013 |
| Executive | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | 0.00% |
| Proprietary | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | 0.00% |
| Independent | 1 | 1 | 0 | 0 | 11.11% | 11.11% | 0.00% | 0.00% |
| Other external | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | 0.00% |
| Total: | 1 | 1 | 0 | 0 | 11.11% | 11.11% | 0.00% | 0.00% |

**C.1.5 Explain the measures, if applicable, which have been adopted to ensure that there is a sufficient number of female directors on the board to guarantee an even balance between men and women.**

| Explanation of measures |
| --- |
| All of the Company's directors have been appointed taking into account their recognised authority, abilities and experience in accordance with internal regulations, without considering their gender. Nevertheless, the Board of Directors and the Appointments and Remuneration Committee (within their respective areas of responsibility), have tried try to include women that fulfil the indicated professional criteria, among potential candidates. |

**C.1.6 Explain the measures taken, if applicable, by the appointments committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile:**

| Explanation of the measures |
| --- |
| The Appointments and Remuneration Committee evaluates the authority, abilities and experience of candidates to be elected as members of the Board of Directors so that selection processes do not suffer from any implicit bias.<br><br>In this regard, following the recommendations of the Appointments and Remuneration Committee, the Board of Directors approved a board selection policy which includes, *inter alia*, the following principles to be followed when appointing board members:<br><br>- Focus on making sure the knowledge, experience and gender of members of the Board of Directors is both varied and diverse.<br><br>- Ensure selection procedures do not have any implicit bias, and do not discriminate because of race, gender or any other reason.<br><br>- Encourage the presence of women on the Board, proactively searching for candidates with the right professional profile. |

**When, despite the measures taken, there are few or no female directors, explain the reasons:**

| Explanation of the reasons |
| --- |
| As a result of adhering to the aforesaid principles (even before they were formally approved by the Board of Directors as part of the board selection process), the Company began to select candidates for board vacancies, which included several women. As a result of this process, the only female from among those considered to take up posts, who fulfilled all the necessary requirements was Ms. María Luisa Garaña Corces. Consequently, as recommended by the Appointments and Remuneration Committee and the Board of Directors, shareholders appointed her as an independent director of the Company at the Extraordinary General Meeting held on 17 December 2015. |

**C.1.6 bis. Explain the conclusions of the appointments committee on the verification of compliance with the director selection policy. In particular, explain how this policy pursues**

**the goal of having at least 30% of total board places occupied by female directors before the year 2020.**

During 2016 no vacancies arose on the Board of Directors. Consequently, no director selection process was initiated during the year. In any event, when the opportunity arises, the appointments and remuneration committee will promote the inclusion of female directors in accordance with the principles that inspire the director selection policy.

In this regard, in the director selection, appointment and reelection process, the Board of Directors, and the Appointments and Remuneration Committee within the scope of its duties, has always strived to ensure that nominations for appointment or reelection as directors always involve honourable, ideally-suited persons of recognised capacity, competence and experience, and, as indicated above, those bodies have sought to have the potential candidates include women who meet those professional criteria.

It also bears emphasis that, given that the group controlled by the Company is a consolidated group of investment firms for the purposes of Royal Decree 4/2015 of 23 October 2015, which approved the consolidated text of the Spanish Securities Market Act, all appointments of directors since the Alantra Group acquired such status have been submitted to a non-opposition resolution from the CNMV.

**C.1.7 Explain how shareholders with significant holdings are represented on the board.**

Four shareholders with significant shareholdings are represented on the Board of Directors:

- Mr. Ricardo Portabella Peralta, whose indirect shareholding in the Company confers 19.778% of voting rights, and who is represented on the Board of Directors by the proprietary director, Mr. Rafael Jiménez López.

- Mr. Santiago Eguidazu Mayor, the Company's Chairman and CEO, whose direct and indirect shareholding in the Company confers 18.944% of voting rights, and who is represented on the Board of Directors by himself as executive director.

- Mr. José Antonio Abad Zorrilla, whose direct and indirect shareholding in the Company confers 7.778% of voting rights, and who is represented on the Board of Directors by himself as proprietary director.

- Mr. Jorge Mataix Entero, whose direct and indirect shareholding in the Company confers 7.751% of voting rights, and who is represented on the Board of Directors by himself as proprietary director.

**C.1.8 Explain, when applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital:**

**Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained:**

Yes [ ] No [X]

**C.1.9 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board their reasons and through which channel. If made in writing, list below the reasons given by that director:**

**C.1.10 Indicate what powers, if any, have been delegated to the chief executive officer(s):**

**Name or corporate name of director**

MR. SANTIAGO EGUIDAZU MAYOR

**Brief description**

As CEO, Santiago Eguidazu Mayor has been delegated all the powers of the Board of Directors that can be conferred pursuant to Law and the By-laws.

**C.1.11 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group:**

| Name or corporate name of director | Corporate name of the group entity | Position | Does he/she have executive duties? |
|---|---|---|---|
| MR. SANTIAGO EGUIDAZU MAYOR | Alantra International Corporate Advisory, S.L. | Member of the Board of Directors | Yes |
| MR. ALFRED MERTON VINTON | Nmás1 Private Equity International Limited | Member of the Board of Directors | No |

**C.1.12 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company:**

| Name or corporate name of director | Name of listed company | Position |
|---|---|---|
| MR. SANTIAGO BERGARECHE BUSQUET | FERROVIAL, S.A. | Vice Chairman |
| MR. SANTIAGO BERGARECHE BUSQUET | VOCENTO, S.A. | Chairman |
| MR. LUIS CARLOS CROISSIER BATISTA | Repsol, S.A. | Member |
| MS. MARÍA LUISA GARAÑA CORCES | Liberbank, S.A. | Member |
| MR. ALFRED MERTON VINTON | GP INVESTMENTS LTD | Member |
| MS. MARÍA LUISA GARAÑA CORCES | DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. | Member |
| MR. LUIS CARLOS CROISSIER BATISTA | Adveo Group International, S.A. | Member |

**C.1.13 Indicate and, where appropriate, explain whether board regulations establish rules on the maximum number of company boards on which its directors may sit:**

Yes ☐ No ☒

**C.1.15 List the total remuneration paid to the board of directors in the year:**

| | |
|---|---|
| Board remuneration (thousands of euros) | 763 |
| Amount of accumulated pension rights of current directors (thousands of euros) | 0 |
| Amount of accumulated pension rights of former directors (thousands of euros) | 0 |

**C.1.16 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year:**

| Position(s) | Name or corporate name |
|---|---|
| MR. FRANCISCO ALBELLA AMIGO | General Secretary and Director of Legal Affairs |
| MR. FRANCISCO IGNACIO DE CÁCERES CABRERO | General Manager |
| MS. PATRICIA PASCUAL RAMSAY | Director of Corporate Development |
| MR. JACOBO LLANZA FIGUEROA | Head of Asset Management and Advisory Services |
| MR. MARK PENSAERT | Head of Financial Advisory |

| | |
|---|---|
| **Total remuneration received by senior management (thousands of euros)** | 4,149 |

**C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies:**

| Name or corporate name of director | Name or corporate name of significant shareholder | Position |
|---|---|---|
| MR. RAFAEL JIMÉNEZ LÓPEZ | ANPORA PATRIMONIO, S.L. | MEMBER |

**List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the board of directors with significant shareholders and/or their group companies:**

**C.1.18 Indicate whether any changes have been made to the board regulations during the year:**

Yes [X] No [ ]

| Description of changes |
|---|
| The Board of Directors Regulations were amended twice in 2016:<br><br>1. At the Board of Directors meeting of 2 February 2016, certain amendments to the regulations were approved in order to:<br>(i) adapt the Board Regulations to the changes introduced in the Spanish Corporate Enterprises Act after the approval of Law 22/2015 of 20 July 2015 on the auditing of accounts, which came into effect on 17 June 2016;<br>(ii) review and strengthen the Company's corporate governance system, taking into consideration the corporate governance recommendations recognised in Spain and, in particular, the recommendations emanating from the Good Governance Code approved by the National Securities Market Commission (Comisión Nacional del Mercado de Valores) on date 18 February 2015 to incorporate some of them; and<br>(iii) update and refine the wording of the Regulations to complete and clarify the regulation of certain issues, as well as to incorporate certain improvements of a technical nature.<br><br>2. At the Board of Directors meeting of 25 October 2016 certain amendments of the regulations were |

| |
|---|
| approved for the purpose of assigning to the Risk Control and Audit Committee certain internal control and supervision functions that currently rest with the Appointments and Remuneration Committee. |

**C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, procedures and criteria used for each of these procedures.**

Directors will be designated by the General Meeting or by the Board of Directors in accordance with the provisions set out in the Spanish Limited Liability Companies Act.

Board members are selected according to, *inter alia*, principles that make sure the knowledge, experience and gender of members of the Board of Directors are both varied and diverse, and ensure selection procedures do not have any implicit bias, and do not discriminate because of race, gender or any other reason. Within their powers, the Board of Directors and the Appointments and Remuneration Committee will also strive to ensure that candidates proposed to the General Meeting for appointment or re-election to the Board are honourable, right for the job, and with renowned authority, abilities and experience.

The Board of Directors will specify the nature of each director to the General Meeting, which must appoint or ratify this person.

The Board of Directors cannot propose or designate persons to cover an independent external director's position if they fail to satisfy the binding criteria of independence. Any directors can ask the Appointments and Remuneration Committee to consider whether the potential candidates to cover vacant directorships are, in the committee's opinion, right for the job.

Proposals to appoint or re-elect directors that the Board puts before the General Meeting must be based on a recommendation from the Appointments and Remuneration Committee when they involve independent directors and a report from the Appointments and Remuneration Committee in the case of other directors. The Board's proposal must be accompanied by a report prepared by the Board evaluating the proposed candidate's abilities, experience and merits, which will be attached to the minutes of the General Meeting or of the Board.

Directors will hold office for the period set out by the General Meeting, which cannot exceed four years, and they may be re-elected, once or more times, at the end of this term for periods of the same or shorter duration.

Directors designated through co-option will hold office pursuant to prevailing legislation.

End of term of office

Directors will stand down at the end of the term of office for which they were appointed and when the General Meeting so decides. Directors must offer their resignation to the Board and, if considered appropriate, submit their formal resignation in the cases stipulated in Article 21, section 2 of the Board Regulations.

The Board of Directors may only propose the resignation of an independent director prior to the elapse of the statutory period whenever there is just cause, ratified by the Board and pursuant to a report from the Appointments and Remuneration Committee, as stipulated in Article 21, section 3 of the Board Regulations.

**C.1.20 Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:**

| Description of changes |
|---|
| Article 5.6 of the Board of Directors Regulations provides that the Board shall evaluate the operation and performance of the Board of Directors, of the Chairman and of Board Committees for their quality and efficiency.<br>The results of that annual assessment have given rise to a plan of action to enhance the Board's effectiveness, although no significant changes have been made in its internal organisation and the procedures applicable to its activities. |

**C.1.20. bis Describe the assessment process undertaken by the board of directors and the areas evaluated, with the aid of an external facilitator, with respect to the composition, duties and powers of its committees, the performance of the chairman of the board of directors and the company's chief executive officer and the performance and contribution of individual directors.**

Given that the evaluation of the Board's performance was conducted for 2015 only, essentially, the period after the merger became effective, it has been deemed reasonable to carry out the Board evaluation for 2016 using a more elaborate procedure. In this regard, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, prepared a self-evaluation questionnaires that was sent to and completed by all of the directors.

Directors were able to complete the questionnaire online using a link set up for that purpose. The application prompted each director to score each of the statements in the questionnaire on a scale of from 1 to 10, with 1 being "I disagree completely" and 10 "I agree completely". Each question also had a space for the director to add, if he or she so wished, whatever comments they deemed appropriate.

The survey was composed of four areas:

I. Quality and efficiency of the Board's operation. Composition and competences
II. Performance of the Chairman
III. Performance of the directors
IV. Operation and composition of the Committees

Subject to the points of improvements set out in the plan of action, the Board's conclusion is that the Board performed satisfactorily in 2016.

**C.1.20. ter. Explain, if applicable, the business relationship the advisor or any group company maintains with the company or any group company.**

None.

**C.1.21 Indicate the cases in which directors must resign.**

In accordance with Article 21, section 2 of the Board Regulations, a director will tender his or her resignation to the Board of Directors and formally resign from office, if the Board sees fit, in the following cases:

a) When they are subject to any of the conditions of prohibition or incompatibility pursuant to applicable laws or the By-laws;

b) When they receive a serious warning from the Board of Directors, following a report from the Appointments and Remuneration Committee, for infringing their duties as directors.

c) When remaining on the Board could jeopardise or prejudice the interests or discredit or damage the reputation of the Company, or when the reasons for their appointment no longer exist.

d) When the shareholder represented by a proprietary director sells all of their shareholding or the number of corresponding shares, when this shareholder reduces their stake to a level that requires a reduction in the number of directors.

**C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?**

Yes ☐ No ☒

**If applicable, describe the differences.**

**C.1.24 Indicate whether there are any specific requirements other than those relating to the directors, to be appointed chairman.**

Yes [ ] No [X]

**C.1.25 Indicate whether the chairman has the casting vote:**

Yes [ ] No [X]

**C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for directors:**

Yes [ ] No [X]

**C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors:**

Yes [ ] No [X]

**C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether there are any restrictions as to what categories may be appointed as a proxy other than those stipulated by law. If so, give brief detail.**

In accordance with Article 18 of the Board Regulations, directors will make every effort to attend Board meetings, and that whenever directors cannot attend meetings, they will try to appoint another member of the Board to act as their proxy, including the opportune instructions and reporting this to the Board Chairman. Non-executive directors can only appoint other non-executive directors to represent them.

**C.1.29 Indicate the number of board meetings held during the year and how many times the board has met without the chairman's attendance. Attendance will also include proxies appointed with specific instructions.**

| | |
|---|---|
| Number of board meetings | 11 |
| Number of board meetings held without the chairman's attendance | 0 |

**If the chairman is an executive director, indicate the number of meetings held without the attendance or representation of any executive director and under the chairmanship of the lead director:**

| | |
|---|---|
| Number of meetings | 0 |

**Indicate the number of meetings of the various board committees held during the year:**

| | |
|---|---|
| Risk Control and Audit Committee | 8 |
| Appointments and Remuneration Committee | 6 |

**C. 1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions:**

| | |
|---|---|
| **Number of meetings with all members present** | 9 |
| **% of attendances of the total votes cast during the year** | 81.82% |

**C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorisation for issue by the board are certified previously:**

Yes [X] No [ ]

**Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior for their authorisation for issue by the board:**

| Name | Position |
|---|---|
| MR. FRANCISCO IGNACIO DE CÁCERES CABRERO | General Manager |

**C.1.32 Explain the mechanisms, if any, established by the board of directors to prevent the individual and consolidated financial statements it prepares from being laid before the general shareholders' meeting with a qualified audit report.**

Article 36.4 of the Board of Directors Regulations provides that the Board will strive to definitively formulate the accounts so that no qualifications arise in the audit report. Nevertheless, where the Board believes it should maintain its criterion, it will publicly explain the content and scope of the discrepancy.

In order to prevent the individual and consolidated financial statements laid before the General Meeting by the Board with a qualified audit report, before those accounts are formulated, Article 15.2 of the Board Regulations provides that the Risk Control and Audit Committee, amongst other duties, will have the following functions:

- Report to the General Shareholders' Meeting on questions posed in respect of matters within its competence, in particular regarding the results of the audit, explaining how it has contributed to the integrity of the financial information and the role played by the committee in this process.
- Bring before the Board of Directors, for submission to the General Shareholders' Meeting, the proposals for selection, appointment, reelection and replacement of the statutory auditors who will examine the annual financial statements, taking responsibility for the selection process, as well as for the terms of engagement, and regularly soliciting from the auditors information on the audit plan and its execution, in addition to preserving their independence in the performance of their functions.
- Review the Company's annual financial statements and periodic financial reporting, striving to ensure compliance with legal requirements and proper application of generally accepted accounting principles.
- Establish the appropriate relationships with the statutory auditors or audit firms to receive information on issues that could jeopardise their independence, for their examination by the Committee, and any others related to the conduct of the audit and, where applicable, authorisation of services other than those prohibited by the applicable laws and regulations, as well as those other disclosures provided for in the accounting and audit laws and standards.

In any event, annually it must receive from the external auditors a declaration of their independence as regards the Company and entities directly or indirectly related thereto, as well as detailed and individualised information on additional services of any kind provided to and the related fees received from such entities by the external auditors or persons or entities related thereto, pursuant to the laws regulating the activity of auditing accounts.

- Annually, before to the audit report is issued, issue a report stating an opinion as to whether the independence of the auditors of the accounts or audit companies has been compromised. This report must in all events contain a reasoned evaluation of the provision of each and every one of the additional

services referred to in the preceding paragraph, taken individually and as a whole, other than the legal audit and in relation to scheme of independence of the auditors and to the laws governing the activity of auditing accounts.

• With respect to internal control and reporting systems:

a. Oversee the preparation and completeness of the prescribed financial information that the Board must periodically provide to the markets and supervisory authorities regarding the Company and, if applicable, its group, reviewing compliance with legal provisions, appropriate definition of the scope of consolidation and proper application of generally accepted accounting principles and presenting recommendations or proposals to the board in order to safeguard the integrity of that information. The Risk Control and Audit Committee will report to the Board, before it adopts decisions on the financial information that the Company must periodically make public as a listed company. The Committee must ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b. Ascertain and monitor the effectiveness of the Company's internal control, the internal audit, if applicable, and risk management systems, and discuss significant weaknesses detected in the internal control system in the performance of the audit with the auditor, all without compromising the auditor's independence. For such purposes, the Committee if applicable may submit recommendations or proposals to the board of directors and the corresponding term for their monitoring. In particular, monitor the independence of the unit handling the internal audit function; propose the selection, appointment, reelection and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive periodic reports on their activities; and verify that senior management is acting on the findings and recommendations of its reports.

c. Monitor compliance with the Company's internal codes of conduct and corporate governance rules.

d. Evaluate all matters relating to non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational risks.

e. Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

• With regard to the external auditor:

f. Supervise compliance with the audit contract, seeking to ensure that the opinion on the annual financial statements and the principal content of the auditor's report are drafted clearly and accurately, and evaluate the results of each audit. In particular, it shall verify that the auditors' fees are fixed before they begin to perform their duties for the entire term of their engagement.

g. Investigate the issues giving rise to the resignation of the external auditor, should this come about.

h. See to it that the remuneration of the external auditor for its work does not compromise its quality or independence.

i. Supervise that the Company notifies any change of auditor to the CNMV as a material disclosure (*hecho relevante*), accompanied by a statement of any disagreements arising with the outgoing auditor, if any, and the content thereof.

j. Ensure that the external auditor has a yearly meeting with the board of directors in full to inform it of the work performed and developments in the Company's risk and accounting situation.

f. Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

- Report to the Board on significant resolutions and developments that take place in its meetings.
- Give the Board of Directors a prior report on the creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens.
- Give the Board of Directors a prior report on transactions with related parties.
- Such other functions as may be assigned to it by the Board of Directors of the Company, in particular as regards the group's risk management and control and policy thereon (taking into specific account the activities of the regulated entities in the group), the Law, the Bylaws or the internal Company regulations.

In addition, paragraphs 5, 6 and 7 of Article 15 of the Board Regulations lay down the following additional rules aimed, amongst other purposes, at avoiding qualifications in the individual and consolidated financial statements presented by the board to the General Meeting:

- Members of the management team and employees of the Company will be obliged to attend Committee meetings and provide their cooperation and access to the information in their

possession when the Committee so requests. The Committee may likewise require that the Company's statutory auditors attend its meetings.

- Furthermore, the Risk Control and Audit Committee may engage the advice of outside experts when it deems necessary for the proper performance of its functions.
- At the proposal of the Risk Control and Audit Committee, or at its own initiative, the Board of Directors may set up, and determine its composition and functions, a specific committee to support the Risk Control and Audit Committee in its functions regarding the group's risk management and control and policies thereon. That committee, which will be called the Control and Risk Committee, may be composed of directors, executives and employees of the Company or of the group.

**C.1.33 Is the secretary of the board also a director?**

Yes [ ] No [X]

If the secretary is not a director, complete the following table:

| Name or corporate name of secretary | Representative |
|---|---|
| MR. FRANCISCO ALBELLA AMIGO | |

**C.1.35 Indicate and explain, where applicable, the specific mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.**

Articles 15 and 36 of the Board Regulations set out that the Board's relations with external auditors will be channelled through the Risk Control and Audit Committee. This Committee will refrain from making proposals to the Board of Directors, and in turn the Board will refrain from proposing to the General Meeting the appointment of any audit firm are the accounts auditor of the Company if said firm is in any way affected by incompatibility pursuant to legislation governing accounts auditing.

Law 22/2015 of 20 July 2015 on the auditing of accounts, sets out that every year the accounts auditors or audit firms must send written confirmation to the Company with regard to their independence concerning the audited entity or related parties, directly or indirectly, as well as information on the additional services of any kind rendered to these entities by the aforementioned auditors or firms or by related parties, pursuant to the provisions set out in the Accounts Auditing Act.

Annually, prior to the issue of the audit report, the Risk Control and Audit Committee issues a report stating an opinion regarding the independence of the statutory auditors or audit firms. That report must in all events pronounce itself on the additional services of any kind provided by the statutory auditors or audit firms, or by persons or enterprises related thereto.

The Board of Directors will also publicly report the overall fees paid to the audit firm, both for the audit services as well as any other services.

The Risk Control and Audit Committee is therefore in charge of relations with the external auditors of the Company, and receives information on issues that could jeopardise the independence of these auditors and any other parties involved in the auditing, as well as other communications under audit legislation and technical auditing standards (Article 15 of the Board Regulations).

Moreover, Article 35 of the Board Regulations regulates the Company's relations with the markets in general, which includes financial analysts and investment banks with whom the relationship of the Company is based on the principles of transparency and non-discrimination. As regards rating agencies, the Company is not subject to credit rating.

**C.1.36 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor:**

Yes [ ] No [X]

**Explain any disagreements with the outgoing auditor and the reasons for the same:**

**C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:**

Yes [X] No [ ]

| | Company | Group | Total |
|---|---|---|---|
| Amount of non-audit work (thousands of euros) | 115 | 19 | 134 |
| Amount of non-audit work as a % of the total amount billed by the audit firm | 56.93% | 9.41% | 66.34% |

**C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the chairman of the audit committee to explain the content and scope of those reservations or qualifications.**

Yes [ ] No [X]

**C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:**

| | Company | Group |
|---|---|---|
| **Number of consecutive years** | 2 | 2 |
| **Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)** | 45.00% | 45.00% |

**C.1.40 Indicate and give details of any procedures through which directors may receive external advice:**

Yes [X] No [ ]

| Procedures |
|---|
| Article 23 of the Board Regulation sets out that, for the purpose of being assisted in the performance of their duties, external directors may request the Company to hire legal, accounting, financial or other expert advisers. The commission must focus on specific problems of a certain size and complexity that occur in the performance of the job. The application to recruit outside experts must be notified to the Chairman of the Company and be approved by the Board of Directors, which may refuse to give authorisation if it considers: (a) that it is not required for the appropriate performance of the duties assigned to external directors; (b) that the cost of this is not reasonable in light of the importance of the problem and of the Company's assets and income; or (c) that the requested technical support can be adequately performed by the Company's own experts and technicians. |

**C.1.41 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:**

Yes [X] No [ ]

| Procedures |
| --- |
| Title VII of the Board Regulations regulates the director's right to information. By virtue of Article 20, the director may request information on any issue of the Company for which the Board is responsible, and may examine its ledgers, records, documents and other documentation. The information right extends to the Company's Group companies, where applicable,<br><br>The request for information must be sent to the Chairman of the Board, who will forward it to the appropriate party at the Company. The Chairman will notify the director of the confidential nature of the information requested and received and of their duty to non-disclosure, in accordance with the provisions set out in the foregoing Regulations.<br><br>The Chairman may refuse to disclose information if he or she considers: (i) that it is not required for the appropriate performance of the duties assigned to the director, or (ii) that the cost of this is not reasonable in light of the importance of the problem and of the Company's assets and income.<br><br>As appropriate, new directors may request an induction that enables them to quickly acquire sufficient knowledge of the Company. By the same token, the Company may establish refresher programmes for directors, whenever circumstances deem this appropriate. |

**C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:**

Yes [X] No [ ]

| Details of rules |
| --- |
| Directors must offer their resignation to the Board and, if considered appropriate, submitting their formal resignation in the cases stipulated in Article 21.2 of the Board Regulations.<br>- When they are subject to any of the conditions of prohibition or incompatibility pursuant to applicable laws or the By-laws;<br>- When they receive a serious warning from the Board of Directors, following a report from the Appointments and Remuneration Committee, for infringing their duties as directors.<br>- When remaining on the Board could jeopardise or prejudice the interests or discredit or damage the reputation of the Company, or when the reasons for their appointment no longer exist.<br>- When the shareholder represented by a proprietary director sells all of their stake or the number of corresponding shares, when this shareholder reduces their stake to a level that requires a reduction in the number of proprietary directors. |

**C.1.43 Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the LSC:**

Yes [ ] No [X]

**Indicate whether the board of directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.**

**C.1.44 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.**

The agreement between shareholders of the companies Alantra Wealth Management, Agencia de Valores, S.A. ("Alantra WM AV") (formerly Nmás1 Syz Valores, Agencia de Valores, S.A.) and Alantra Wealth Management Gestión, SGIIC, S.A. ("Alantra WM Gestión") (formerly Nmás1 Syz Gestion SGIIC, S.A.) of 25 May 2010 determines that if there is a change of control of the Company, the remaining shareholders of Alantra WM AV and Alantra WM Gestión (other than the Company) will be granted the right to acquire all the shares in Alantra WM AV and Alantra WM Gestión held by the Company (representing 23% of share capital).

**C.1.45 Identify, in aggregate form and provide detailed information on, agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.**

**Number of beneficiaries: 0**

**Type of beneficiary:**

0

**Description of agreement:**

0

**Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group:**

| | Board of directors | General shareholders' meeting |
|---|---|---|
| Body authorising clauses | No | No |

| | Yes | No |
|---|---|---|
| Is the general shareholders' meeting informed of such clauses? | | X |

**C.2 Board committees**

**C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary, independent and other external directors:**

The membership of board committees described in the tables of this section corresponds to the situation at year-end 2015.

## Risk Control and Audit Committee

| Name | Position | Type |
|---|---|---|
| MR. JOSÉ JAVIER CARRETERO MANZANO | Chairman | Independent |
| MR. JOSÉ ANTONIO ABAD ZORRILLA | Member | Proprietary |
| MR. RAFAEL JIMÉNEZ LÓPEZ | Member | Proprietary |
| MS. MARÍA LUISA GARAÑA CORCES | Member | Independent |
| MR. LUIS CARLOS CROISSIER BATISTA | Member | Independent |

| | |
|---|---|
| **% of proprietary directors** | 40.00% |
| **% of independent directors** | 60.00% |
| **% of other external directors** | 0.00% |

**Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year. Rules and Regulations of the Board of Directors:**

According to Article 15 of the Board Regulations, the Risk Control and Audit Committee is assigned the following duties:

- Report to the General Shareholders' Meeting on issues that arise in relation to the matters within its competence and, in particular, on the results of the audit.
- Bring before the Board, for submission to the General Shareholders' Meeting, proposals on the selection, appointment, reelection and replacement of the statutory auditors who are to examine the annual accounts.
- Review the Company's annual financial statements and periodic financial reporting.
- Establish the appropriate relationships with the statutory auditors or audit firms. In any event, it must receive from the external auditors an annual declaration of their independence with respect to the Company or to entities related directly or indirectly thereto.
- Annually, before the audit report is issued, issue a report stating an opinion as to whether the independence of the auditors of the accounts or audit companies has been compromised.
- Oversee the preparation and completeness of the prescribed financial information that the Board must periodically provide to the markets and supervisory authorities regarding the Company.
- Ascertain and monitor the effectiveness of the Company's internal control, the internal audit, if applicable, and risk management systems.
- Monitor compliance with the Company's internal codes of conduct and corporate governance rules.
- Evaluate all matters related to non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational risks.
- Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.
- Supervise compliance with the audit contract, seeking to ensure that the opinion on the annual financial statements and the principal content of the auditor's report are drafted clearly and accurately, and evaluate the results of each audit. In particular, it shall verify that the auditors' fees are fixed before they begin to perform their duties for the entire term of their engagement.
- Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- See to it that the remuneration of the external auditor for its work does not compromise its quality or independence.

- Supervise that the Company submits a material disclosure to the CNMV regarding any change of auditor.
- Ensure that the external auditor has a yearly meeting with the board of directors in full to inform it of the work performed and developments in the Company's risk and accounting situation.
- Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.
- Give the Board of Directors a prior report on the creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens.
- Give the Board of Directors a prior report on transactions with related parties.
- Such other functions as may be assigned to it by the Board of Directors of the Company, in particular as regards the group's risk management and control and policy thereon, the Law, the Bylaws or the internal Company regulations.

The Committee will ordinarily meet quarterly to review the periodic financial reporting to securities exchange authorities and the information the Board must approve and include as part of its annual public documents.
Most important actions in 2016:
-Review of quarterly, half-yearly and annual financial information, and of its completeness.
-It issued a favourable report prior to the formulation of the annual financial statements.
-It supervised the functioning of the internal control of regulatory financial reporting systems ("ICFRS") regarding the Company to ensure its integrity, oversee compliance with legal requirements and proper application of generally accepted accounting principles.
-It supervised compliance with the audit contract, making sure that the opinion on the annual financial statements and main content of the audit report were drawn up in a clear and accurate manner.
-It brought before the Board a proposal to appoint the firm of Informa Consulting Compliance, S.L. as the Company's new internal auditor.
-It reviewed compliance with corporate governance rules and detected no material instances of non-compliance.
-It reviewed the risks map of the Alantra Group.
-Control of trading in the Company's own shares, acknowledging the balance of the Company's treasury shares and of trading in own shares each quarter.

**Identify the director of the audit committee who has been appointed chairman on the basis of knowledge and experience of accounting or auditing, or both and state the number of years they have been chairman.**

| | |
|---|---|
| **Name of director** | MR. JOSÉ JAVIER CARRETERO MANZANO |
| **Number of years as chairman** | 2 |

**Appointments and Remuneration Committee**

| Name | Position | Type |
|---|---|---|
| MR. LUIS CARLOS CROISSIER BATISTA | Chairman | Independent |
| MR. JOSÉ JAVIER CARRETERO MANZANO | Member | Independent |
| MR. JORGE MATAIX ENTERO | Member | Proprietary |
| MR. ALFRED MERTON VINTON | Member | Other external |

| | |
|---|---|
| **% of proprietary directors** | 25.00% |
| **% of independent directors** | 50.00% |
| **% of other external directors** | 25.00% |

**Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.**

Duties:
- Evaluate the abilities, knowledge and experience needed by the Board of Directors (the "Board"). Define the functions and skills needed by candidates and assess the time and dedication required to perform their duties.
- Establish a target for the percentage of Board members of the least represented gender and prepare recommendations to achieve this.
- Present the Board with proposed candidates for independent director, as well as proposals for the re-election or removal thereof.
- Inform the Board of the proposed appointments of the remaining Board members, and proposals for their re-election or removal. It will also report on the appointment and removal of the Secretary or Vice-secretary and senior managers of the Company, and the basic terms and conditions of the contracts of the latter.
- Review and arrange succession of the Board Chairman and CEO of the Company.
- Propose to the Board the remuneration policy for members of the Board and general managers or anyone in senior management positions who reports directly to the Board, and the individual remuneration and other contractual terms thereof.
- Review and uphold transparency vis-à-vis the remuneration policy of Board members and senior managers, and inclusion thereof in the board remuneration policy report and annual corporate governance report. The Appointments and Remuneration Committee will also have certain duties concerning corporate governance and corporate social responsibility, which include:
- Overseeing compliance with internal codes of conduct, corporate governance rules, and the strategy for shareholder and investor communications and relations.
- Evaluating the corporate governance system and reviewing the corporate responsibility policy, as well as the corporate social responsibility strategy and practices.
- Overseeing and evaluating the processes related with the various stakeholders, as well as matters concerning the Company's non-financial risks.
- Coordinating the process for reporting non-financial information and information on diversity, pursuant to applicable regulations and benchmark international standards.

Operating rules

The Committee will normally meet every three months, and whenever a meeting is called by its Chairperson, which this individual must do if the Board Chairman so requests. The Committee will prepare an annual report on its performance, highlighting any key incidents that have arisen, and including any proposals to improve the governance rules of the Company. This report will be available to shareholders and investors through the Company's website. Minutes will also be taken at the Committee's meetings, and made available to all members of the Board. Members of the Company's management team and personnel will be obliged to collaborate and provide information whenever requested by the Committee.

The Committee may request advisory services from outsourced experts.

Most important actions in 2016:
- Decision to give the Board a favourable report on the remuneration of Senior Management, of the Chief Executive Officer and of the Board.
- Decision to create a Corporate Social Responsibility Policy for the Alantra Group.
- Favourable report on a Board report-proposal on the ratio of fixed to variable components of the total remuneration of the Identified Group of the Alantra Group.
- Report to the Board in favour of approving the directors Annual Remuneration Report for its submission to a consultative vote at the General Meeting.
- Analysis and review of the degree of individualised compliance with the Good Corporate Governance Code of Listed Companies.
- Analysis of the professional and personal circumstances of each director, drawing on the information provided by each of them and information in the public domain, in order to determine if the classification currently assigned to each of them is to be maintained.

**C.2.2 Complete the following table on the number of female directors on the various board committees over the past four years:**

| | Number of female directors | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | 2015 | | 2014 | | 2013 | |
| | Number | % | Number | % | Number | % | Number | % |
| Executive committee | 1 | 20.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Delegate risk committee | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |

**C.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.**

The organisation and performance rules of the Appointments and Remuneration Committee and the Risk Control and Audit Committee are set out in the Board Regulations and in the By-laws, which are available for consultation on the Company's website (www.alantra.com) and at the CNMV.

The Risk Control and Audit Committee prepares an annual report on its performance, highlighting any key incidents that have arisen, with regard to the functions for which it is responsible. Furthermore, the report will include proposals to improve the governance rules of the Company whenever the Risk Control and Audit Committee deems this appropriate. The Risk Control and Audit Committee report will be available to shareholders and investors through the Company's website.

The Appointments and Remuneration Committee prepares an annual report on its performance, highlighting any key incidents that have arisen, with regard to the functions for which it is responsible. Furthermore, the report will include proposals to improve the governance rules of the Company whenever the Appointments and Remuneration Committee deems this appropriate. The Appointments and Remuneration Committee report will be available to shareholders and investors through the Company's website.

## D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

**D.1 Explain, if applicable, the procedures for approving related-party or intragroup transactions.**

| *Procedures for approving related-party transactions* |
| --- |
| Article 5 of the Board Regulations confers sole authority to the Board of Directors, which cannot be delegated, to approve on the recommendation of the Risk Control and Audit Committee (Article 15.2 of said regulations) any transactions that the Company or where applicable, its Group companies, carry out with Board members, in the terms of Articles 229 and 230 of the Spanish Limited Liability Companies Act, or with shareholders who individually or jointly hold a significant ownership interest, including shareholders represented on the Company's Board, or that of other companies, which form part of the same group or with parties related thereto, pursuant to Law.<br>As issuer and in accordance with Ministry of Economy and Finance Order EHA 3050/2004 of 15 September, the Company is required to provide quantified information on related-party transactions in six-monthly financial reports. |

**D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders:**

**D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors:**

**D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.**

**In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:**

**Registered corporate name of the group entity:**

Alantra Wealth Management Gestión, SGIIC, S.A.

**Amount (€ 000s):** 2

**Brief description of the transaction:**

The related-party transaction between the Company and Alantra Wealth Management Gestión, SGIIC, S.A. (WM Gestión) is in respect of e-mail and SAP use licences that the service provider invoices directly to the Company and which the latter charges, depending on the use, to WM Gestión.

**Registered corporate name of the group entity:**

Alantra AG (Switzerland)

**Amount (€ 000s): 2**

**Brief description of the transaction:**

The related-party transaction between the Company and Alantra AG is in respect of e-mail and SAP use licences that the service provider invoices directly to the Company and which the latter charges, depending on the use, to Alantra AG.

**Registered corporate name of the group entity:**

Phoenix Recovery Management, S.L.

**Amount (€ 000s): 2**

**Brief description of the transaction:**

The related-party transaction between the Company and Phoenix is in respect of e-mail and SAP use licences that the service provider invoices directly to the Company and which the latter charges, depending on the use, to Phoenix.

**Registered corporate name of the group entity:**

Alantra Wealth Management, securities broker, S.A.

**Amount (€ 000s): 66**

**Brief description of the transaction:**
The related-party transaction between the Company and Alantra Wealth Management, AV, S.A. (WM AV) is in respect of the lease of office premises that the Company has entered into with the lessor, and which the Company charges to WM AV according to the space occupied by the latter.

**Registered corporate name of the group entity:**

Alantra Wealth Management Gestión, SGIIC, S.A.

**Amount (€ 000s): 53**

**Brief description of the transaction:**

The related-party transaction between the Company and Alantra Wealth Management Gestión, SGIIC, S.A. (WM Gestión) is in respect of the lease of office premises that the Company has entered into with the lessor, and which the Company charges to WM Gestión according to the space occupied by the latter.

**Registered corporate name of the group entity:**

Phoenix Recovery Management, S.L.

**Amount (€ 000s): 11**

**Brief description of the transaction:**

The related-party transaction between the Company and Phoenix is in respect of the lease of office premises that the Company has entered into with the lessor, and which the Company charges to Phoenix according to the space occupied by the latter.

**Registered corporate name of the group entity:**

Nplus 1 Singer Ltd

**Amount (€ 000s): 860**

**Brief description of the transaction:**

The related-party transaction between the Company and N+1 Singer is in respect of the services that the Company provides to N+1 Singer for a strategic advisory fee.

**Registered corporate name of the group entity:**

Alantra Wealth Management, securities broker, S.A.

**Amount (€ 000s): 185**

**Brief description of the transaction:**

The related-party transaction between the Company and Alantra Wealth Management, AV, S.A. (WM AV) is in respect of services that the Company provides to WM AV, including: general services, legal, accounting and financial advising, IT, human resources, communications, supplies, health insurance, etc.

**Registered corporate name of the group entity:**

Alantra Wealth Management Gestión, SGIIC, S.A.

**Amount (€ 000s): 101**

**Brief description of the transaction:**

The related-party transaction between the Company and Alantra Wealth Management Gestión, SGIIC, S.A. (WM Gestión) is in respect of services that the Company provides to WM Gestión, including: general services, legal, accounting and financial advising, IT, human resources, communications, supplies, health insurance, etc.

**Registered corporate name of the group entity:**

Phoenix Recovery Management, S.L.

**Amount (€ 000s): 114**

**Brief description of the transaction:**

The related-party transaction between the Company and Phoenix is in respect of services that the Company provides to Phoenix, including: general services, legal, accounting and financial advising, IT, human resources, communications, supplies, health insurance, etc.

**Registered corporate name of the group entity:**

Alantra AG (Switzerland)

**Amount (€ 000s): 37**

**Brief description of the transaction:**

The related-party transaction between the Company and Alantra AG is in respect of the support services the Company has provided to Alantra AG in relation to the service orders signed by the latter with its customers and in relation to which the Company has provided support and which, consequently, have given rise to the application of intragroup revenue distribution agreements.

**Registered corporate name of the group entity:**

Alantra Asset Management, SGIIC, S.A.

**Amount (€ 000s): 271**

**Brief description of the transaction:**

The amount of the related-party transaction records the expenses of marketing by Alantra WM Gestión and Alantra WM AV of products managed by Alantra Asset Management.

**Registered corporate name of the group entity:**

Nplus 1 Singer Ltd

**Amount (€ 000s):** 82
**Brief description of the transaction:**

The amount of the related-party transaction is in respect of services provided by N+1 Singer.

**Registered corporate name of the group entity:**

Landmark Capital, S.A.

**Amount (€ 000s): 13**

**Brief description of the transaction:**

The related-party transaction is in respect of services provided by Landmark Capital, S.A.

**D.5 Indicate the amount from related-party transactions.**

9,039 (thousands of euros)

**D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.**

Article 25, section 4, point g) of the Board Regulations requires directors to take the necessary steps to avoid their interests, on their own behalf or that of third parties, conflicting with the Company's corporate interests and their duties towards the Company.
Article 27 of the Board Regulations adds the following:
1. In particular, the duty of avoiding conflicts of interest laid down in point g) of Article 24 of the Board Regulations requires each member of the Board to abstain from:
a) Performing transactions with the Company, except for ordinary transactions performed in standard conditions for customers and of scant importance, understood to be those whose information is not required to express fairly the Company's equity, financial position and results. In the event of transactions within the ordinary course of corporate business that represent standard or common practice, generic authorisation of transactions and of the conditions for execution by the Board will suffice.
b) Using the Company's name or invoking his/her status as director to unduly influence the performance of private operations.
c) Making use of Company assets, including confidential company information, for private purposes.
d) Taking advantage of company business opportunities.
e) Obtaining advantages or remuneration from third parties other than the Company associated with the discharge of their duties, except when such perks are mere courtesy.
f) Performing activities, for their own account or for the account of others, which involve effective competition, be it current or potential, with the Company or which, in any other way, place them in an on-going conflict vis-à-vis the Company's interests.

2. Directors must notify the Board of Directors of any conflicts of interest.

3. The foregoing provisions will also be applicable in the event that the beneficiary of the prohibited acts or activities is a person related to the director, as per the subsequent article.

4. Irrespective of the provisions set forth in the preceding paragraphs, the Company may relax the provisions established in this article in specific cases, by authorising a director or related party to conduct a certain transaction with the Company, use certain corporate assets, seize a specific business opportunity, or secure an advantage or remuneration from a third party.

5. Whenever the subject of the authorisation is the relaxing of the prohibition on obtaining an advantage or remuneration from third parties, or when the exemption affects a transaction whose value is in excess of ten percent (10%) of the corporate assets, authorisation must necessarily be given by the General Meeting in a separate specific agreement. In all other cases, the authorisation may also be issued by the Board of Directors, provided the independence of the members granting said authorisation with regard to the exempted director is guaranteed. Moreover, it will be necessary in the latter case to ensure that the authorised operation will not harm the corporate assets or, where applicable, guarantee the conduct thereof under market conditions and the transparency of the process.

6. The non-compete obligation with the Company may only be exempted in the event that no damage to the Company can be foreseen, or that the Company can expect to be compensated through the benefits it is assumed will be obtained through the exemption.

The Company's Internal Rules of Conduct also establish that anyone subject to or temporarily subject to these rules ("Subjects" or "Temporary Subjects" as defined in these rules) will act in the event of a conflict of interests (conflict between the Company's interests and their own, including

"Closely Related Parties" as defined in these rules) and persons or entities that the proprietary directors represent) in accordance with the following principles:
a) Independence: They must perform their duties with loyalty, independently of any interests that may conflict with their own or third parties affecting them.
b) Abstention: They must refrain from participating in or influencing decisions related with any conflict of interests
c) Confidentiality: They must avoid being privy to any confidential information on the conflict of interests.
The Company's Internal Rules of Conduct stipulated that Subjects must sign and keep up to date a statement detailing any situations and relations that could give rise to conflicts of interest. In all instances, the statement will include performing, on their own account or that of a third party, similar or complementary activities to those of the Company and any organic or service relationship, and holding any direct or indirect stakes of over 3% in companies performing similar or complementary activities to those of the Company. In this regard, relationships with blood relations that are more than fourth removed or with relatives in law of more than second-degree affinity will not, in principle, be treated as a potential conflict of interest.
Any actual or potential conflicts of interest that are detected must be reported as quickly as possible and, in any event, before any decisions that could be affected by the possible conflict of interests are taken.

**D.7 Is more than one group company listed in Spain?**

Yes [ ] No [X]

**Identify the listed subsidiaries in Spain:**

**Listed subsidiaries**

**Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies:**

| Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other group companies |
|---|

**Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies.**

| Mechanisms |
|---|

## E RISK CONTROL AND MANAGEMENT SYSTEMS

### E.1 Describe the risk management system in place at the company, including fiscal risks.

The entity has a corporate governance organisation and procedures designed, amongst other purposes, to control and manage risk. The Company has a Control and Risk Committee that is fully independent of the business lines and which reports directly to the Risk Control and Audit Committee. The Control and Risk Committee is headed up by the Compliance and Risks Officer. Its permanent members include the General Division (including the Technology Department and Human Resources area), General Secretary, Director of Legal Affairs, and two members of the Finance Department. In addition, risk control is taken into consideration in all strategic and operational decisions approved by the parent Company and by each of the subsidiaries.

The Group continuously analyses its global risk profile using a risk map; identifying and registering new risk situations and monitoring exposure using risk indicators and the possible loss events due to process failures, possible legal action, etc. The materiality thereof is classified based on the potential impact on the financial statements. The potential impact on reputational risk is also assessed. This information can be used to set a risk tolerance threshold and take decisions to mitigate and transfer risks.

The working methodology is as follows:
1. The Compliance and Risks Officer meets regularly with business area heads to identify the risks that could affect achieving each area's objectives.
2. Having identified each risk and conducted unification work across the areas with a view to aggregating and standardising risk control at Group level, possible metrics are identified to objectively monitor risk exposure.
3. In order to estimate impacts and the degree of cover, the areas' past experience of losses from risks is considered alongside a qualitative benchmark compared to other entities and market best practices.
4. Existing risk mitigation measures are evaluated to estimate the degree of cover.
5. Risk thresholds are set to classify risks as low, moderate or high.
6. Risk mitigation and coverage measures are drawn up and put before the Control and Risks Committee for approval.
7. The effectiveness of measures in place is assessed, and the risk metrics for each factor are monitored.
8. Flags are raised when the coverage of a risk factor is below the approval threshold determined in the Risk Policy.

### E.2 Identify the bodies responsible for preparing and implementing the risk management system, including fiscal risks.

The Board of Directors holds ultimate responsibility for the existence and maintenance of an appropriate risk management system, delegating responsibility for supervision of this to the Risk Control and Audit Committee, while the Regulatory Compliance and Risk Department is responsible for its introduction and review.

The Risk Control and Audit Committee's responsibilities include the following related with preparing and deploying the risk management system:

a) Supervise the process of preparing and the completeness of the obligatory financial reporting to be regularly supplied by the Board to the markets and to the supervisory bodies with regard to the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and proper application of generally accepted accounting principles. The Risk Control and Audit Committee will report to the Board, prior to adoption by the Board of the corresponding decisions concerning financial reporting which, as a listed company, the Company must periodically publish. The Committee must ensure that interim financial statements are drawn up with the same accounting criteria as the annual financial

statements and, to this end, will consider whether or not an external auditor should perform a limited review.
b) Supervise and be aware of the effectiveness of the Company's internal control, the internal audit, where appropriate, and the risk management systems, including tax-related risks, as well as discuss with the accounts auditors any significant weaknesses in the internal control system detected during the audit.
c) Inform the Board of any resolutions or significant events at its meetings.
d) Notify the Board in advance of any related-party transactions.
e) Perform any other duties assigned to it by the Company's Board of Directors, especially any relating to the Group's risk management and control policy (paying particular attention to the activities of regulated Group companies), Law, the By-laws and the Board Regulations.

The Control and Risks Committee, reporting to the Board's Risk Control and Audit Committee, is charged with:
a) Proposing the Group's internal control and risk policy, setting out and evaluating the risks covered by the risk management system and providing evidence that the system is fit for purpose vis-à-vis each type of risk.
b) Preparing and submitting for approval internal control procedures, and overseeing compliance therewith.
c) Prepare regulatory compliance and risk reports and present them to the Control and Risks Committee and Risk Control and Audit Committee.
d) Coordinate and manage regulatory compliance and/or risk control units that are or may be established at Alantra Group subsidiaries.
e) Propose a risk map tailored to the Group's operations.
f) Report on whether any of the different types of risk (operational, technological, financial, legal, etc.) have arisen during the year that affect the Group, providing details of the triggers and performance of the systems in place to mitigate the effects of said risks.
g) Coordinate the regulatory compliance functions, ensuring applicable laws are properly adhered to.
h) Foster a culture of regulatory compliance in the N+1 Group, with the Human Resources Department participating in running training programmes to provide the Group's personnel with the skills and experience needed to appropriately carry out their duties.

**E.3 Indicate the main risks, including fiscal, which may prevent the entity from achieving its targets.**

In accordance with the risk identification procedure, the main categories of risks of most relevance and which, therefore, form part of the risk control system, are:
- Market risk: sensitivity to macroeconomic fluctuations. In this regard, the Group has a wide range of products and geographical markets, as well as a flexible cost structure that allows it to adapt rapidly to changing market circumstances. The asset management area also generates income from recurrent commission which covers a significant portion of fixed costs. Exchange rate risk is another type of market risk. A significant part of Group revenue is generated in non-euro currencies. Possible devaluations of those currencies would reduce the Group's earnings.
- Legal compliance and regulatory risk: The Alantra Group's activities are subject to diverse levels of regulation and oversight. Regulatory compliance is essential for the Group. With regard to the prevention of money laundering and the financing of terrorism, the Group avails of appropriate procedures and tools for accepting customers and continuously monitoring risk. Legislative developments and any potential impacts on the businesses are monitored. The internal audit function continuously ensures the regulatory requirements are met, and escalates any potential breaches to the Risk Control and Audit Committee.

- Operational risk: Failures in processes that could result in loss events. The IT systems infrastructure is outsourced to highly respectable suppliers. A customer service and investors relations department are in place. The Group also has a number of operating procedures in the different business areas that are internally audited on an on-going basis.

- Reputational risk: Possible conflicts with customers, incidents detected by regulators, or claims from suppliers could affect the Group's reputation. The Group has a code of ethics that includes the principles to which all staff and management must adhere to.

- Loss of human capital: The Alantra Group's main asset is the high level of skills of its professionals. A key element is to manage talent through the right policy on pay and career development plans.

- Highly competitive sector: The mid & small cap companies sector in which the Alantra Group mainly operates is a very competitive sector, with constant pressure on margins. The Alantra Group pursues strategic, geographical and industry diversification to mitigate this risk.

**E.4 Identify if the entity has a risk tolerance level, including fiscal.**

The Company has a Risk Management System in place which comprises indicators of exposure to, probability of occurrence of, and the severity of any impact of such risk. These indicators are also classified according to the possible impact on profit (scores) and other qualitative factors such as the impact on reputation. The Company's tolerance to risk is very low.

The Risk Control and Audit Committee supervises the Alantra Group's risks map quarterly. That map includes the severity and probability of impact of all material risks identified according to the expectations that the risk will materialise and the level of Alantra's preparation and capacity to respond, for which purpose responses and controls are identified for the key risks. The risks map also includes fiscal risk. The Committee reports to the Board on the risks map every quarter.

The scoring scales applied in the risks map consider the potential financial impact (determined according to the impact on financial revenue and/or investment values), the potential reputational impact for Alantra, as well as the potential impact of regulatory non-compliance. This allows the Control and Risk Committee to make decisions to mitigate the risk.

**E.5 Identify any risks, including fiscal, which have occurred during the year.**

During 2016, some of the risks inherent to the Company's activities materialised as a result of the pursuit of its operations and the business and the current economic environment.

The following circumstances are of particular note:

- Materialisation of Brexit. Uncertainty regarding the impact of the Brexit referendum in the United Kingdom on markets and exchange rates was one element of the Alantra risks map. The adverse behaviour of pound sterling against the euro during the second half of the year had a slight impact on the Alantra Group's earnings. Notwithstanding the above, the geographical diversification of the Group's business and consequent exposure to different currencies allows this risk to be mitigated in good measure.

- During 2016 there were different episodes of turbulence in financial markets, in a context of oil prices that reached their lowest levels in more than ten years. The political environment also saw significant changes, in Spain and Italy as well as in the United States. Moreover, the climate of political uncertainty is expected to continue in 2017. This situation could condition the sectors where the Alantra Group does business.

- Regulatory demands remain quite high.

The risk control mechanisms implemented by the Company have worked properly, allowing the Company to minimise the impact of these risks on its financial statements.

**E.6 Explain the response and monitoring plans for the main risks the entity is exposed to, including fiscal.**

The Risk Control Committee monitors the Group's exposure to each risk, approving action plans that ensure such exposure is kept within the established tolerance thresholds.

This committee registers agreed-upon action and monitors the degree of completion thereof.

The Group's risks map is kept up to date and supervised by the Risk Control and Audit Committee, which committee reports to the Board of Directors thereon.

The in-house training programme on internal procedures has been intensified.

## F INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

**Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the company.**

**F.1 The entity's control environment**

**Indicate the existence of at least the following components, describing their main characteristics:**

**F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.**

The Internal Control over Financial Reporting System (hereinafter, "the ICFRS"), forms part of the Alantra Group's general internal control system, and was set up to provide reasonable assurance as to the reliability of the financial information provided to the markets.

The Group has an Accounting Policies Manual and ICFRS Manual approved by the Board of Directors, setting forth the administrative and technical procedures that help to enhance internal control, and thereby raise operating efficiency. All with a view to obtaining more reliable, timely and true financial information, and issue reports that are invaluable to taking the right decisions. An oversight protocol and training procedure are also in place vis-à-vis the ICFRS. The Regulatory Compliance and Risk Control Department is also responsible for the design, roll-out and performance of the ICFRS.

The Board of Directors Regulations (available on the Group's website) also set out a raft of policies concerning the ICFRS, which specify, among the Board's other competencies and responsibilities, reviewing and approving the financial information that is regularly published, and adopting the necessary measures to ensure that financial information is prepared as per the same principles, criteria and professional practices as those followed when preparing the financial statements, and that said information is equally as reliable. The Group's Board of Directors is ultimately responsible for financial information and the existence of an adequate internal control system for this information.

These regulations also stipulate the competencies and responsibilities of the Risk Control and Audit Committee (hereinafter, the "RCAC"), which include reviewing the Group's financial statements and regular financial reporting, ensuring legal requirements are fulfilled and generally accepted accounting principles applied properly. It is also responsible for overseeing the completeness of and process for preparing statutory financial information, checking compliance with regulatory requirements, appropriate demarcation of the scope of consolidation, and proper application of generally accepted accounting principles. The regulations also expressly refer to supervision of internal control and the risk management systems, and discussions with accounts auditors on any significant weaknesses in the internal control system identified during the audit of the Group's financial entities.

Specifically, Article 15.2 stipulates the following with regard to the RCAC competencies and responsibilities:

- Supervise the process of preparing and the completeness of the obligatory financial reporting to be regularly supplied by the Board to the markets and to the supervisory bodies with regard to the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and proper application of generally accepted accounting principles, and present recommendations or proposals to the board of directors to safeguard the integrity of that information. The RCAC will report to the Board, prior to adoption by the Board of the corresponding decisions concerning financial reporting which, as a listed company, the Company must periodically publish. The RCAC must ensure that interim financial statements are drawn up with the same accounting criteria as the annual financial statements and, to this end, will consider whether or not an external auditor should perform a limited review.
- Supervise and be aware of the effectiveness of the Company's internal control, the internal audit, where appropriate, and the risk management systems as well as discuss with the accounts auditors any significant weaknesses in the internal control system detected during the audit, all without compromising their independence.

**F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:**

- **The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity.**

The Company avails of an Internal Control Organisation Procedure signed off by the Board of Directors on 24 February 2016. This specifies that the General Division will be responsible, when authorised by the Board, for designing and reviewing the organisational structure, and appropriate distribution of tasks and duties. They will carry out any necessary revisions and will check that all the Group's employees receive said procedure by email and other channels established for this purpose. The procedure also includes an organisational chart and the main responsibilities of the following areas: General Division, Finance Department, HR Department, IT Department, Administration Department, Accounting Department, Legal Affairs Department, Corporate Development, Regulatory Compliance and Risks Department, and Internal Audit.

The Board Regulations set forth the functions of the Board and of the duties delegated to the RCAC and the Appointments and Remuneration Committee ("ARC").

The Group also has an Accounting Policies Manual, approved by the Board of Directors on 17 December 2015, setting out the procedures governing the sub-processes involved in preparing financial information and those in charge of each of them.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.**

The Group has a General Code of Ethics and Conduct (hereinafter, "the Code of Ethics") and Internal Rules of Conduct concerning securities market matters (hereinafter, "the IRC").

The Code of Ethics sets out a raft of basic principles and practices for professional conduct that must be adhered to by all the staff and management of Alantra and Alantra Group companies. Notwithstanding this, some individuals are also subject to other rules of conduct that are specific to the activity or business in which they carry out their duties. These individuals are referred to as "Subjects" and are required to adhere to rules governing the following:
1. Equal opportunities and non-discrimination
2. Compliance with the Law and internal rules
3. Non-compete and professional exclusiveness requirement

5. Conduct in the event of conflicts of interest: personal interests must not come before the interests of the Group or its customers
6. Control of information and confidentiality: general duty of secrecy; management of confidential documents
7. Responsible participation in forums, social networks, and political or trade association activities
8. Restricted access to insider information
9. Prohibition to trade with securities when party to related confidential or insider information
10. Commitment to report (where stipulated) any personal transactions
11. Appropriate use of devices, assets and other property of Alantra
12. Prohibition to give or promise to give public servants any type of payment or gift
13. Prohibition to give or promise to give any type of payment or gift to individuals that, in breach of its obligations when procuring products or services or buying and selling assets, give the Alantra Group an advantage over its competitors
14. Protection of intellectual property
15. Separation of duties and Chinese walls

The Code of Ethics is available to all the Group's staff on the intranet, and they have all been informed of its existence, location, and their obligation to adhere to it. The Regulatory Compliance and Risks Department is responsible for ensuring all Alantra staff and executives are aware of the General Code. The Human Resources and Regulatory Compliance and Risks departments regularly report to the Control and Risks Committee on Subjects' following of and compliance with the rules. They are responsible for keeping an up-to-date register of Subjects, along with dates on which individuals join or leave the register.

The IRC is updated regularly by the Board of Directors. The Control and Risks Committee is an internal control body of the Company that operates under the auspices of the Board of Directors and reports to the ARC and the RCAC. With regard to the IRC, the Control and Risks Committee regularly reports to the ARC on its activities and any incidents of interest in relation to the rules and compliance therewith.
The main aspects covered by the IRC are as follows:
1. General duty of conduct
2. Insider information
3. Avoidance of market manipulation
4. Duties concerning analysis and negotiation of transactions that affect the markets
5. Authorisation and reporting of transactions
6. Blackout periods
7. Other duties related with trading
8. Conflicts of interest
9. Recording and confidentiality of actions
10. Reporting of material information
11. Rules on treasury share trading
12. Sanctions system

The IRC is available on Alantra's website. It is also available to all the Group's staff on the intranet, and they have all been informed of its existence, location, and their obligation to adhere to it.

- **'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.**

An important aspect of responsibility and transparency is to ensure all matters concerning potential breaches of laws, rules, regulations or internal policies and procedures, and good faith reporting are managed appropriately and resolved as applicable. The Group therefore has a mechanism through which any employees can securely and confidentially report any irregularities that they consider have arisen when carrying out the Group's activities.

The Group has a procedure for reporting infractions, which has been approved by the Board of Directors and applies to all Alantra staff and management.

The main features of this procedure are:
1. Guarantee that the identity of the reporting party and alleged offenders will be kept confidential.

2. Non-acceptance in any circumstances of anonymous reports.
3. The main aspects that could be reported are: breaches of the IRC or Code of Ethics, employment obligations, fraud, violation of duty of confidentiality, failure to adhere to financial reporting standards, breaches of anti-laundering policy, market abuse, abuse of authority and workplace bullying.
4. Reports can be submitted via the whistleblowing@alantra.com mailbox.
5. The Group's Compliance and Risks Officer (hereinafter, "the CRO") is charged with receiving and managing any reports, informing the RCAC of any reports and the results of investigations carried out, and recommending to the committee any measures that could be adopted.
6. The RCAC may, in any event, launch new investigations and will, based on a report from the CRO, propose measures to be taken in relation to the reports received.
7. Any complainants who are found to have submitted unfounded claims in bad faith may be subject to disciplinary proceedings.

This procedure is available to all staff on the Alantra intranet. All employees have also been notified of the procedure. The Group assumes responsibility for ensuring all new hires (staff and management) are made aware of the whistleblowing policy, and of informing all staff by email on a yearly basis.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.**

The ICFRS Manual, signed off by the Board of Directors on 17 December 2015, includes the procedure for the provision of training on the ICFRS, and sets out the Group's commitment to ensuring staff involved in preparing and reviewing financial information have the right training, thereby fulfilling regulatory provisions.

The heads of Legal Affairs and Finance will regularly (at least annually) assess training requirements in order to fulfil commitments to provide appropriate training to staff involved in preparing and reviewing the Group's financial information.

These department heads will take into account, *inter alia*, the following when assessing training needs:
- Any relevant amendments to accounting legislation, internal control rules and/or reporting standards that affect the Group and its companies.
- Changes in the Group's structure that result in new legal obligations when preparing and reporting financial information relative to those applicable to the Group at the time.
- Introduction of new procedures in the Group to prepare and publish financial information.
- Roll-out of new software for preparing and publishing financial information and/or changes to the configuration of existing applications.
- Any other circumstances that the heads of these departments consider relevant to the analysis.
- The Group's strategic objectives.

Once training goals have been determined, the Group's Human Resources Department will prepare a training plan setting out, but not limited to, the following:
- Title of training to be provided.
- Group, participants and number of participants invited.
- Planned dates.
- Training hours.
- Method of training.
- Location of training.
- Trainer.
- Training cost.
- In-house or out-of-house course.

Each stage of every training plan will be subject to on-going improvements. Training provided over the course of each year will be evaluated for this purpose. All courses in the training plan will also be subject to feedback from participants in order to assess how relevant they are to their work, how the sessions were organised, and the quality and involvement of trainers.

During 2016, the Company gave all Group employees a training course on anti-money laundering issues, the general code of ethics and conduct, the internal rules of conduct concerning securities market matters and the procedure for reporting breaches. In addition, a training court on market abuse issues was given in the Group investment firms.

**F.2 Risk assessment in financial reporting**

**Report at least:**

**F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:**

**• The process exists and is documented.**

The Group has an ICFRS Manual, signed off by the Board of Directors on 17 December 2015, which was drawn up following a methodological approach to identity and evaluate risks in the financial reporting process. This methodological approach is designed pursuant to relevance criteria approved by the Group's Board of Directors, and taking into consideration all the financial information that the Group reports and publishes. This document provides an inventory of key processes and sub-processes for generating financial information, and the main associated risks and controls put in place by the Group to mitigate said associated risks.
An officer is assigned to each process identified and included in the document, who works with the Regulatory Compliance and Risk Control Department to document the process, identify associated risks and existing controls, and define and roll out new controls where necessary, subsequent to obtaining approval from the Control and Risks Committee and under the RCAC supervision. They also assume responsibility for introducing measures put forward by the Regulatory Compliance and Risks Department.

**• The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.**

The scope of the methodology used to identify risks and design controls related with the generation of financial information covers the most relevant processes and areas following relevance criteria based on materiality and other qualitative aspects. Specifically, the Group has built its risk identification and evaluation process on key principles such as: existence and occurrence; accuracy; rights and obligations; measurement; presentation and disclosure; and comparability.
The inventory of processes and risks provided in the ICFRS Manual and the updating thereof is the responsibility of the Group's Control and Risks Committee, who must review it at least once a year. The Group's Internal Audit team is responsible for overseeing and validating the effectiveness thereof, checking whether there have been any significant changes in the risks associated with financial reporting specified in the aforesaid document. The RCAC will be notified of any changes.

**• A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**

The Group has a procedure in place for determining the scope of consolidation – described in point 4 of the Internal Accounting Policies Manual, approved by the Board of Directors on 17 December 2015.

The Group's financial information is consolidated every quarter for the purpose of monitoring management control and reporting to Management and the Company's other control bodies. The principles set forth in prevailing accounting standards are followed when determining the scope of consolidation. The main stages of the consolidation process are as follows:

1. For each consolidation process, the Finance Department requests an updated organisational chart for the Group from the Legal Affairs Department. Any changes in scope will be taken into consideration by the person in charge of consolidation with a view to removing a company from the scope in the case of divestments, or including them when they are acquired (using the appropriate

method of consolidation as per prior accounting standards). Legal Affairs will also be asked to provide any documentation on the transaction in question. This documentation will be used to determine the resulting ownership interest, type of investee, accounting treatment thereof, etc.

2. Once the scope of consolidation has been defined for the period in question and the ownership interest in and method of consolidation of the new entity (in the case of acquisitions) determined, the individual reporting closes will be checked in conjunction with the officers in charge of the investees (both in Spain and abroad) that have closed their accounts and are ready to begin consolidation.

3. The officer in charge of consolidation does so using BM Cognos Controller software.

**• The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

The main risk categories of most relevance are: market risk, legal compliance and regulatory risk, operational risk, reputational risk, the risk of losing human capital, and exchange rate risk.

**• Which of the company's governing bodies is responsible for overseeing the process.**

In the last instance, the Board of Directors is ultimately responsible for assessing financial reporting risks through the RCAC, who is charged with overseeing the process with the help of the Group's Internal Audit area.

## F.3 Control activities

**Indicate the existence of at least the following components, and specify their main characteristics:**

### F.3.1. Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

The Board of Directors is responsible for approving the risk management and control policy, and overseeing the in-house training systems. It is therefore ultimately responsible for financial information and the existence of an internal control over financial reporting system that is fit for purpose.

The Group has an ICFRS Manual providing flowcharts of the main processes with a material impact on the generation of financial information, identifying the risks involved, and measures and controls to prevent, mitigate and minimise these risks. This ICFRS Manual defines the principal risks affecting each procedure, showing the following fields for each of these risks:

- Type of risk identified (including fraud risk).
- Impact in the event said risk arises.
- Likelihood of said risk occurring.
- Control activity.
- Type of control.
- Individual responsible for implementing the control.
- Evidence of the control.
- Frequency of the control.
- Materiality indicator.

In addition, the Internal Accounting Policies Manual sets out the ICFRS subprocesses.

The reporting close procedure is described in point 5 of the Internal Accounting Policies Manual, approved by the Board of Directors.

The Alantra Group's accounting system (SAP) is, on the whole, shared by subsidiaries. This ensures a tighter control over accounting records and the generation of financial information. The Company's Finance Department can access the accounting records of all the Group companies' using this system. Due to the nature of the Alantra Group, the reporting close is split into two sub-processes:

- Reporting close of Spanish companies
- Reporting close of foreign companies

There is a number of important processes concerning the generation of financial information that must be followed by each participating area. Controls over and supervision of these processes ensure the completeness and accuracy of the financial information included in the reporting closes of the companies and the financial statements of each and of the Alantra Group (e.g. legal action, measurement of investees, etc.).

The Alantra Group also has an accounting consolidation tool (see F.4.2.) used in support of the information generated on an individual basis in SAP.

The Board Regulations also determine that the RCAC will normally meet every three months to review the regular financial information that must be submitted to stock market authorities, and the information that the Board of Directors must approve and include in the annual public reporting documents. It will also meet whenever it is convened by its Chairperson, who must call the meeting whenever the Board or Board Chairman requests the issuance of a report or the take-up of proposals and, in any case, whenever this is appropriate for its proper performance.

**F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.**

The Group's IT systems used to prepare financial information either directly or indirectly ensure financial information is prepared and published properly at all times, using the SAP User Manual. Its content includes start instructions, access security, and instructions on all accounting processes.
Likewise, as part of the process for identifying financial reporting risks, the Group has a SAP User Manual, an ICFRS Manual and a Business Continuity Plan.

The ICFRS Manual features flowcharts for the main processes with a material impact on the generation of financial information, including those related with the disaster recovery plan, continuity plan, logical security and technology exploitation. These charts present each process in detail and describe the risks and controls implemented, along with the individuals who are involved in the process.

The Group also avails of a Business Continuity Plan which aims to specify the internal processes that will be triggered in the event of an internal or external threat, to ensure the business can continue to function. The plan identifies various possible scenarios and the measures and controls to prevent and mitigate the effects thereof and minimise response times.
This plan also refers to the existence of a business recovery team and the members thereof, which would be responsible for managing operations with a clearly defined functions and responsibilities in the event of a threat.

**F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.**

The Group regularly reviews which outsourced activities are relevant to the process of preparing financial information.

Specifically, a Procedure for the Outsourcing of Essential Functions exists, which was approved by the Board of Directors on 24 February 2016, and applies to all essential activities that Alantra outsources to third parties. These include those identified when developing material processes that affect the generation of financial information, within the framework of the Internal Control over Financial Reporting System.

The basic points set forth in the procedure include a series of minimum requirements and criteria that suppliers must fulfil, essential service-level indicators to be included in each contract, reasons for penalties or contract cancellation, and lines of reporting and supervision in the process of outsourcing essential functions.

The procedure also specifies that the department in charge of the function or service being outsourced will carry out the controls needed to verify the assessments, calculations and valuations outsourced to third parties, paying close attention to any outsourced activities that could have a material impact on the generation of financial information. Incidents detected will be immediately reported to the Control and Risks Committee and the service provider, and corrective measures taken to resolve them.

## F.4 Information and communication

**Indicate the existence of at least the following components, and specify their main characteristics:**

**F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.**

The Group has an Internal Accounting Policies Manual that describes, inter alia, the accounting procedures and technical support that help achieve better internal control.

As indicated in the manual, the Finance Department, acting with the authority of the General Manager, will be responsible for defining, updating and disseminating the Group's accounting policies in order to obtain the most suitable, timely and accurate financial information. It will also be responsible for resolving any doubts or conflicts deriving from the interpretation and applications of the accounting policies.

The Internal Accounting Policies Manual will be updated annually, or whenever any significant amendments to applicable legislation are introduced which require it to be updated.
The Finance Department will email the manual as well as any significant changes thereto to affected staff. In both cases, employees will be required to provide formal written confirmation that they have read and understood the content thereof.

**F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.**

Practically the entire accounting information system of the Alantra Group companies is integrated in the same information system that is shared by all of them (SAP Business ByDesign). The parameters for the automated accounting are therefore the same across the Group. This parameterisation is defined and overseen from a technical and regulatory perspective by the Finance Department, which reports directly to the General Manager, thereby ensuring the Group's accounting policies and prevailing standards are adhered to. Since all the Alantra Group subsidiaries that are controlled (fully consolidated) use the same accounting information system, local charts of accounts can be used (pursuant to country-specific standards) and converted to a single chart of accounts in accordance with the Alantra Group's configurations. To a large extent, this Alantra Group chart of accounts formed using each of the local charts of accounts, includes the minimum disclosures needed to comply with the reporting requirements set forth by (local and foreign) authorities.

The consolidation process is automated using an application (IBM Cognos Controller) at the Alantra Group's parent, and brings together the month-end accounting information of all the Alantra Group companies. Once all the subsidiaries have completed the monthly close in the Alantra Group's

accounting system (where applicable), the data is automatically loaded which informs the accounting consolidation tool as per the chart of accounts configured by the Alantra Group. The financial statements of companies that do not use the Alantra Group's functional currency (euros) are translated in the consolidation system by inputting the relevant exchange rates. The financial statements of all consolidated companies are then automatically aggregated:

- Intragroup items are identified and reconciled automatically, enabling any differences that could arise to be analysed and eliminated correctly.
- Adjustments are made automatically to eliminate own funds-investments.
- The Finance Department is able to input any accounting or off-balance sheet information and make any adjustments that might not be included in the automatic upload (companies not included in SAP, manual book entries, etc.).

This consolidation process is highly automated and involves different controls/reconciliations to ensure the process is carried out correctly. Moreover, once the consolidation process is finalised in the application, several reports are generated based on different previously defined criteria (by country, goodwill, etc.).

## F.5. Monitoring

**Indicate the existence of at least the following components, describing their main characteristics:**

**F.5.1. The ICFR monitoring activities undertaken by the audit committee and an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.**

The Internal Audit Procedure, approved by the Board of Directors on 24 February 2016, establishes that the RCAC will be responsible for overseeing the work performed by the Internal Audit Committee, which is currently outsourced to Informa Consulting Compliance S.L. It must also supervise and be aware of the effectiveness of the Group's internal control, and the risk management systems, including those associated with tax-related risks.

Informa Consulting Compliance S.L.'s functions, meanwhile, as authorised by the Board of Directors and the RCAC, include providing independent verification that the activities performed by the Group comply with its general policy and principles in place. Internal Audit's principal objective is therefore to verify the degree of compliance with and effectiveness of the written procedures that have been designed, and detect any regulatory breaches or sources of risk.

Internal Audit must also notify the RCAC of progress with the Annual Plan, activities performed, reports, possible deviations, planned work, and any relevant matters. It will also prepare proposals for any pertinent corrective measures, directly informing the Board of Directors and RCAC of such action.

During 2016, an evaluation was conducted of the ICFRS by the Group's Control and Risk Committee and presented to the RCAC. Also, a second evaluation was performed by Internal Audit, currently outsourced to Informa Consulting Compliance S.L., with the following scope: "Review of procedures for internal control of financial reporting designed by the Company during 2016".

**F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.**

The Group's Internal Audit Procedure established a relationship framework defining the lines of communication between Internal Audit and the RCAC and Board of Directors. Specifically, it is

expressly stated that Internal Audit must notify the RCAC of progress with the Annual Plan, activities performed, reports, possible deviations, planned work, and any relevant matters. In turn, the RCAC must evaluate the results and responses of the management team, and serve as a conduit for communications between the Board of Directors and Internal Audit. If the function is outsourced, the RCAC will also prepare an annual report on the performance of the company charged with internal audit – currently Informa Consulting S.L. – highlighting the main incidents arising, if any, with regard to its duties, and including improvement points in this report.

The RCAC will normally meet with the Board of Directors every three months to review the regular financial information that must be submitted to the authorities and the information that the Board of Directors must approve and include in the annual public reporting documents.

The Board Regulations also include a policy on reporting and relations with the Board (Title X), including the following points: Annual Corporate Governance Report, corporate website, shareholder relations, relations with markets and with accounts auditors. Lastly, one of the main duties of the RCAC is to oversee and remain abreast of the effectiveness of the Group's internal control, internal audit, and risk management systems, and discuss with the accounts auditors any significant weaknesses in the internal control system detected during their audit.

**F.6 Other relevant information**

In 2016 the "One Data" project was begun in the Company. The initiative will allow greater automation of control processes. Once it is in place, the ICFRS will be updated.

**F.7 External auditor's report**

**State whether:**

**F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.**

Pursuant to the recommendation on the auditor's report on information concerning the internal control system included in the Guide on Internal Control over Financial Reporting in Listed Companies, published on its website by the Spanish securities market regulator (*Comisión Nacional de Mercado de Valores*), the Group will present the content of information on the Internal Control over Financial Reporting System to the accounts auditor for review. The resulting report will be attached on issue as an appendix to the Annual Corporate Governance Report.

## G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

**Indicate the degree of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.**

**Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.**

**1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

Compliant [X] Explain [ ]

**2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:**

a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Compliant [X] Partially compliant [ ] Explain [ ]

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant [X] Partially compliant [ ] Explain [ ]

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant [X] Partially compliant [ ] Explain [ ]

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the appointments and remuneration committee.

c) **Audit committee report on third-party transactions.**

d) **Report on corporate social responsibility policy.**

Compliant [X] Partially compliant [ ] Explain [ ]

**7. The company should broadcast its general meetings live on the corporate website.**

Compliant [ ] Explain [X]

To date the Company has not provided live broadcasts of General Meetings on its corporate website, firstly because of the normally high level of participation in person and by proxy at the Company's general meetings (e.g. 76.7086% of share capital represented at the 27 April 2016 Annual General Meeting and 84.1038% at the Extraordinary General Meeting on 13 December 2016). Also, the Company is small cap and its capital is concentrated among a limited number of shareholders. Nevertheless, at its meeting of 13 December 2016 the Board of Directors, upon prior report from the Appointments and Remuneration Committee, decided to make the necessary arrangements for implementation of this recommendation as from 2017.

**8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.**

Compliant [X] Partially compliant [ ] Explain [ ]

**9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.**

**Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.**

Compliant [X] Partially compliant [ ] Explain [ ]

**10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:**

a) **Immediately circulate the supplementary items and new proposals.**

b) **Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.**

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

**11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.**

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

**12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.**

**In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.**

Compliant [X] Partially compliant [ ] Explain [ ]

**13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.**

Compliant [X] Explain [ ]

**14. The board of directors should approve a director selection policy that:**

a) **Is concrete and verifiable.**

b) **Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.**

c) **Favours a diversity of knowledge, experience and gender.**

**The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.**

**The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.**

**The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.**

Compliant [ ] Partially compliant [X] Explain [ ]

The Company adheres to the various principles in this recommendation, except for the point concerning the target of having at least 30% of board places occupied by women by 2020. As recommended by the Appointments and Remuneration Committee, the Company's Board of Directors has agreed, at its meeting of 13 December 2016, not to include this principle in the board selection process for the time being. However, as per the provisions of the aforesaid policy, processes to select board members must expressly:
- Ensure selection procedures do not have any implicit bias, and do not discriminate because of race, gender or any other reason.

- Encourage the presence of women on the Board, proactively searching for candidates with the right professional profile.

**15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

Compliant [X] Partially compliant [ ] Explain [ ]

**16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.**

**This criterion can be relaxed:**

**a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**

**b) In companies with a plurality of shareholders represented on the board but not otherwise related.**

Compliant [X] Explain [ ]

**17. Independent directors should be at least half of all board members.**

**However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 per cent of capital, independent directors should occupy, at least, a third of board places.**

Compliant [X] Explain [ ]

**18. Companies should disclose the following director particulars on their websites and keep them regularly updated:**

**a) Background and professional experience.**

**b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.**

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

Compliant [X] Partially compliant [ ] Explain [ ]

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latters' number should be reduced accordingly.

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant [X] Explain [ ]

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant [X] Partially compliant [ ] Explain [ ]

**23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.**

**When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.**

**The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.**

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

**24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.**

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

**25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

**The board of director's regulations should lay down the maximum number of company boards on which directors can serve.**

Compliant [ ] Partially compliant [X] Explain [ ]

The Board of Directors Regulations stipulate that one of the duties of directors is to dedicate sufficient time and effort to effectively discharge their responsibilities. The Appointments and Remuneration Committee ensures that this obligation is fulfilled.
Having debated the matter, the Board of Directors, at its meeting of 13 December 2016 and at the proposal of the Appointments and Remuneration Committee, decided not to include a rule in the Board of Directors Regulations limiting the maximum number of company boards on which its directors can serve, having considered that, given the nature of the Company, it is only necessary to ensure directors discharge their duties properly, dedicating the appropriate amount of time, which was confirmed, amongst other measures, by the high meeting attendance percentages of directors.

**26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

Compliant [X] Partially compliant [ ] Explain [ ]

**27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.**

Compliant [X] Partially compliant [ ] Explain [ ]

**28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.**

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

**29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.**

Compliant [X] Partially compliant [ ] Explain [ ]

**30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.**

Compliant [X] Partially compliant [ ] Explain [ ]

**31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.**

**For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.**

Compliant [X] Partially compliant [ ] Explain [ ]

**32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

Compliant [X] Partially compliant [ ] Explain [ ]

**33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper**

functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant [X] Partially compliant [ ] Explain [ ]

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant [X] Explain [ ]

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant [X] Partially compliant [ ] Explain [ ]

**37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.**

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

**38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.**

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

**39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.**

Complaint [X] Partially compliant [ ] Explain [ ]

**40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.**

Compliant [X] Partially compliant [ ] Not applicable [ ]

**41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.**

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

**42. The audit committee should have the following functions over and above those legally assigned:**

1. **With respect to internal control and reporting systems:**

   a) **Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.**

   b) **Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to;**

receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant [X] Partially compliant [ ] Explain [ ]

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complaint [X] Explain [ ]

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off- balance-sheet risks.

b) The setting of the risk level that the company deems acceptable.

c) Measures in place to mitigate the impact of risk events should they occur.

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant [X] Partially compliant [ ] Explain [ ]

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant [X] Partially compliant [ ] Explain [ ]

47. Appointees to the appointments and remuneration committee - or of the appointments committee and remuneration committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant [X] Partially compliant [ ] Explain [ ]

48. Large cap companies should operate separately constituted appointments and remuneration committees.

Compliant [ ] Explain [ ] Not applicable [X]

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Compliant [X] Partially compliant [ ] Explain [ ]

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant [X] Partially compliant [ ] Explain [ ]

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant [X] Partially compliant [ ] Explain [ ]

52. The terms of reference of supervision and control committees should be set out in the board of director's regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

**Compliant** [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant [X] Partially compliant [ ] Explain [ ]

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) **Channels for stakeholder communication, participation and dialogue.**

g) **Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.**

Compliant [ ] Partially compliant [ ] Explain [X]

The Company carried on diverse Corporate Social Responsibility (CSR) activities over the course of 2016, although it has not yet approved a specific CSR policy per se. There is a group of employees interested in this area who promote such activities and are supported by the management. For its part, the Alantra Group member company Alantra Asset Management SGIIC, S.A. does have a CSR policy approved and in place.

The Board of Directors, at its meeting of 13 December 2016, at the proposal of the Appointments and Remuneration Committee, resolved to promote the drafting of a Corporate Social Responsibility Policy to be submitted for approval in 2017.

**55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.**

Compliant [X] Explain [ ]

**56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.**

Compliant [X] Explain [ ]

**57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.**

**The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.**

Compliant [X] Partially compliant [ ] Explain [ ]

**58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.**

**In particular, variable remuneration items should meet the following conditions:**

i. **Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**

ii. **Promote the long-term sustainability of the Company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.**

iii. **Be focused on achieving a balance between the delivery of short-, medium- and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.**

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

**59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.**

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

**60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.**

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

**61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.**

Compliant [ ] Partially compliant [ ] Explain [X] Not applicable [ ]

Although it is envisaged that future variable remuneration will be linked with the awarding of shares, this has not been set up. It should nevertheless be noted that the Chairman and CEO (the Company's only executive director) is a significant shareholder of the Company, so the alignment of interests pursued by this variable remuneration structure is achieved in part.

**62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.**

**The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.**

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

**63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.**

Compliant [ ] Partially compliant [ ] Explain [X] Not applicable [ ]

The current contract with the Chairman and CEO (the Company's only executive director) does not regulate such matters. However, it has been agreed to have this clause included in that contract, although that agreement is pending formalisation.

**64. In addition, the Bank has adopted a policy on the application of malus clauses in the field of remuneration. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.**

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

## H OTHER INFORMATION OF INTEREST

**1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.**

**2. You may include in this section any other information, clarification or observation related to the above sections of this report.**

**Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.**

**3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the code and date of adoption.**

SECTION A.2
This section comprises the information drawn from the shareholder records dated 31 December 2016 provided to the Company by IBERCLEAR (given that the Company's shares are nominative) and the information that appears in the CNMV's official records of significant shareholdings.

SECTION A.3
It should be noted that the percentage of voting rights held by the Board of Directors stipulated in the table included in this section (36.33%) represents the sum of percentages of voting rights held by the Board members that are listed in the table in section A.3.
However, regarding the percentage of voting rights held by the Board, the percentages of significant shareholders represented in the Board by proprietary directors must also be taken into consideration (even if the latter are not the ultimate direct holders of those voting rights).
The total share of voting rights held by the Board was 56.12% at 31 December 2016, taking into account and adding Anpora Patrimonio, S.L.'s stake, which represented 19.78% of the Company's share capital at 31 December 2016, the ultimate direct holder of which is Mr. Ricardo Portabella Peralta.

The indirect voting rights of Mr. Jorge Mataix and Mr. José Antonio Abad come from the stakes their holding companies, Direrval or S.A. (2,145,518 shares) and AV Málaga Capital, S.L. (2,174,870 shares) respectively, hold in the Company's capital. Direrval or S.A. and AV Málaga Capital, S.L. also hold a call option over 249,224 of the Company's shares that are held by the shareholders Tasmania Inmuebles, S.L. and Enésima Inversiones, S.L. Consequently, AV Málaga, S.L. and Direrval or, S.A. hold the respective voting rights conferred by these shares.

SECTION C.1.29
For clarification purposes, it is hereby stated that the Board of Directors met in person or via a conference call on 11 occasions in 2016, and passed resolutions in writing and outside a meeting on two occasions.

The Risk Control and Audit Committee and Appointments and Remuneration Committee also met in person or via a conference call on eight and six occasions, respectively, and passed resolutions in writing and outside a meeting on one occasion in both cases.

Every year, the Board approves a schedule of meetings of the Board and its committees for the year in order to facilitate and encourage directors' attendance.

SECTION C.1.17

For the sake of clarity, it is noted that Mr. Rafael Jiménez López tendered his resignation to the board of Anpora Patrimonio, S.L. on 20 February 2017, and thus discontinued discharging his office.

SECTION C.2.2
On 2 February 2016, the Board appointed María Luisa Garaña Corces as a member of the Risk Control and Audit Committee.

SECTIONS D.2 and D.3
The Company discloses in the relevant Note to the consolidated and individual financial statements information on the main transactions carried out in 2016 with related parties, all of them in the ordinary course of the business of the Company and its group and on an arm's length basis.

SECTION D.5
The transactions carried out by the Company with other related parties included in this section are itemised in Note 22 to the consolidated financial statements for 2016.

This Annual Corporate Governance Report was adopted by the Company's Board of Directors at its meeting held on 22 March 2017.

List whether any directors voted against or abstained from voting on the approval of this report.

YES [ ] NO [X]

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*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

AUDITOR'S REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF THE ALANTRA GROUP (FORMERLY N+1 GROUP) FOR 2016

To the Directors,

As requested by the Board of Directors of Alantra Partners, S.A. (formerly Nmás1 Dinamia, S.A.) and companies composing the Alantra Group (formerly N+1 Group) –"the N+1 Group"– and in accordance with our proposal-letter of 10 October 2016, we have applied certain procedures to the information relating to the ICFR system contained in the accompanying Annual Corporate Governance Report for 2016, which summarises the internal control procedures of the Alantra Group in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

It should be noted in this regard that, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Alantra Group in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Alantra Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Alantra Group's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the *Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies*, published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Alantra Group's annual financial reporting for 2016 described in the information relating to the ICFR system, contained in the accompanying Annual Corporate Governance Report of the Alantra Group. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to in accordance with the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 7/2015, of 22 December 2015.

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at Alantra Group.

3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to the personnel in charge of preparing the information describing the ICFR system. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.

4. Comparison of the information detailed in point 1 above with the knowledge on the Alantra Group's ICFR system obtained through the procedures applied during the financial statement audit work.

5. Perusal of minutes of meetings of the Board of Directors, the Audit Committee and of other Alantra Group committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.

6. Obtainment of the representation letter in connection with the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and of CNMV Circular no. 7/2015 of 22 December 2015, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Antonio Ríos Cid

24 March 2017