

DEA CAPITAL S.p.A.

ANNUAL REPORT AT 31 DECEMBER 2017

DEA CAPITAL

**DEA CAPITAL S.p.A.**

Registered Office at Via Brera, 21 - 20121 Milan

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

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



**NOTICE OF  
SHAREHOLDERS'  
MEETING**

17

# DEA CAPITAL S.p.A.

DeA Capital S.p.A.

Registered Office at Via Brera 21, 20121 Milan

Share capital of EUR 306,612,100, fully paid up

Tax Code, VAT reg. no. and Milan Register of Companies no. 07918170015, Milan REA (Administrative Economic Register) 1833926

Company subject to the management and co-ordination of De Agostini S.p.A.

## NOTICE OF SHAREHOLDERS' MEETING

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

Via Chiossetto 20, Milan:

- at 10 a.m. on Thursday 19 April 2018, on first call;
- at 10 a.m. on Friday 20 April 2018, on second call,

to discuss and resolve on the following

## AGENDA

- 1. Approval of the Annual Financial Statements for the year ended 31 December 2017. Partial distribution of the share premium reserve. Related and consequent resolutions. Presentation of the Consolidated Financial Statements of the Group headed by DeA Capital S.p.A. for the year ended 31 December 2017;**
- 2. Authorisation to buy and sell treasury shares. Related and consequent resolutions;**
- 3. Approval of a performance share plan reserved for certain employees and/or directors with specific duties in DeA Capital S.p.A., its subsidiaries and parent company. Related and consequent resolutions;**
- 4. Presentation of the DeA Capital S.p.A. Remuneration Report and advisory vote by the shareholders' meeting on the Remuneration Policy of DeA Capital S.p.A. (Section I of the Remuneration Report), in accordance with art. 123-ter of Legislative Decree 58 of 24 February 1998, as subsequently amended and supplemented.**

\* \* \*

### **Presentation of proposals for resolution/addition to the agenda**

Shareholders who, individually or jointly, represent at least 2.5% of the share capital may submit a request, within ten days of this notice being published (i.e. by 30 March 2018), for items to be incorporated into the meeting agenda, indicating on the request the topics suggested, and may also submit proposals for resolutions concerning items already on the agenda.

The request, together with the share ownership certificate issued, pursuant to the regulations in force, by the authorised intermediaries holding the ledgers in which the shareholders' shares are registered, must be submitted in writing, by hand or by recorded delivery and by the above deadline to the Company's registered office, for the attention of the Investor Relations department, or sent by email to the address [deacapital@legalmail.it](mailto:deacapital@legalmail.it) together with information confirming the identity of the shareholders submitting the request (a contact telephone number should also be provided). Shareholders submitting such requests must also provide, by the same deadline and by the same means, a report setting out the reasons for the proposals for resolution/addition to the agenda of the new items or the reasons for the additional proposals for resolution relating to items already on the agenda. The Company is responsible for notifying shareholders of the addition to the meeting agenda of any new items or additional proposals relating to existing items, in the same form as for the publication of this notice of shareholders' meeting, at least fifteen days before the scheduled first-call meeting date. At the same time as publication of the notice confirming incorporation into the agenda of new items or proposals for deliberations on existing items, the proposals for incorporation/deliberation, together with the corresponding reports submitted by the shareholders concerned and any opinion of the Board of Directors, must be made public pursuant to art. 125-ter, para. 1, of Legislative Decree no. 58/1998.

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

### **Right to ask questions about items on the agenda**

Those who are entitled to vote may raise questions about items on the agenda, including in advance of the meeting. Any questions, together with the share ownership certificate issued, pursuant to the regulations in force, by the authorised intermediaries holding the ledgers in which shareholders' shares are registered, must be sent to the Company's registered office for the attention of the Investor Relations department by recorded-delivery letter, by fax to the number +39 02 62499599, or by email to the address [ir@deacapital.com](mailto:ir@deacapital.com). Questions must be received by the Company before close of business on the third day before the scheduled meeting date (i.e. by **16 April 2018**). Provided that questions are received before the meeting and by the requisite deadline, a response will be provided, at the latest, during the meeting itself; a response is deemed to have been provided at a meeting if it is made available, on paper, at the start of the meeting, to each of those entitled to vote. The Company may provide a single response to questions with the same content. The Company also reserves the right to provide the information requested by any questions received prior to the shareholders' meeting by displaying it on a dedicated "Questions and answers" page which can be accessed through the Company's website [www.deacapital.com](http://www.deacapital.com) (Corporate Governance/Shareholders' Meetings). Where this is the case, no response need be given at the meeting.

## Entitlement to take part in shareholders' meetings

Shareholders are eligible to take part in shareholders' meetings if they are registered as holding voting rights on the record date – i.e. by the close of business on the seventh trading day before the date scheduled for the first-call meeting (**10 April 2018**) – and if the requisite statement has been received from the authorised intermediary by the Company. Those who only become shareholders after that date will not be entitled to take part or vote in the shareholders' meeting.

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

## Representation in meetings

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

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

## Designated proxy holder

Proxies, with voting instructions for the items on the agenda, may be granted to Computershare S.p.A., which has its registered office at Via Lorenzo Mascheroni 19, Milan 20145, duly designated by the Company for this purpose, in accordance with art. 135-undecies of Legislative Decree 58/1998; a printable version of the relevant form must be signed and may be downloaded from the website [www.deacapital.com](http://www.deacapital.com) (under the section Corporate Governance/Shareholders' Meetings) or obtained from the Company's registered office or from the registered office of Computershare S.p.A. The original of the proxy form, with voting instructions, must be received by Computershare S.p.A., Via Lorenzo Mascheroni 19, Milan 20145, by close of business on the penultimate trading day before the date of the first-call meeting or the date of the second-call meeting (i.e. by **17 April 2018** for the first-call meeting or by **18 April 2018** for the second-call meeting). A copy of the proxy form may be sent in advance to the designated proxy holder by the above-mentioned deadlines by fax to +39 02 46776850 or attached to an email sent to the address [ufficiomilano@pecserviziottitoli.it](mailto:ufficiomilano@pecserviziottitoli.it). The proxy is valid solely in respect of those items for which voting instructions are given. Proxies and voting instructions may be revoked by the deadlines specified above. Note that the statement to be communicated to the Company by the authorised intermediary, confirming the shareholder's eligibility to take part and exercise voting rights in the shareholders' meeting, is also required if a proxy is granted to the designated proxy holder. By law, shares for which a proxy is granted, whether in full or in part, are taken into account in determining whether the shareholders' meeting is duly constituted, although proxies without voting instructions do not count for the purposes of calculating the majority and quorum required to pass resolutions. Information regarding proxies granted to Computershare S.p.A. (which can be contacted for any queries by telephone on +39 02 46776811 is also available on the relevant proxy-letter template mentioned above.

## **Share capital and voting shares**

The share capital is EUR 306,612,100 divided into 306,612,100 ordinary shares, each with a par value of EUR 1.00.

Each ordinary share carries voting rights at the shareholders' meeting (except ordinary treasury shares, at 13 March 2018 equal to 52,640,623 shares, on which voting rights are suspended in accordance with the law). However, it should be noted that the Shareholders' Meeting of 17 April 2015 amended article 9 of the Articles of Association, introducing a loyalty shares mechanism pursuant to art. 127-*quinquies* of the TUF. Specifically, pursuant to the aforementioned article 9, two voting rights will be allocated for every ordinary DeA Capital share held by the same shareholder of the Company, pursuant to a legal title establishing entitlement, for a continuous period of at least 24 months, starting from the registration of the shareholder on a special list, which will be set up and maintained by the Company at its registered office. For the list of relevant shareholders that have requested registration on the loyalty shares list of DeA Capital S.p.A. and that have obtained increased voting rights, see the Corporate Governance/Loyalty Shares section of the website [www.deacapital.com](http://www.deacapital.com)

## **Documentation and information**

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

- from today, at the same time as the publication of this notice, the Directors' Report on items 1 and 3 and the information document required pursuant to art. 84-bis of the Consob Issuer Regulation 11971;
- from 28 March 2018, the financial report and other documents referred to in art. 154-ter of Legislative Decree 58/1998 and the Remuneration Report, as well as the Directors' Report on item 2 of the agenda.

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

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

\*\*\*

Milan, 20 March 2018

For the Board of Directors

**The Chairman**

(Lorenzo Pellicioli)





## CORPORATE BOARDS AND CONTROLLING STRUCTURE

### Corporate information

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

Share capital: EUR 306,612,100 (fully paid up), comprising 306,612,100 shares with a nominal value of EUR 1 each (including 50,942,428 treasury shares at 31 December 2017)

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

### Board of Directors (\*)

**Chairman**  
Lorenzo Pellicoli

**Chief Executive Officer**  
Paolo Ceretti

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

### Board of Statutory Auditors (\*)

**Chairman**  
Cesare Andrea Grifoni

**Permanent Auditors**  
Annalisa Raffaella Donesana  
Fabio Facchini

**Deputy Auditors**  
Andrea Augusto Bonafè  
Michele Marano  
Marco Sguazzini Viscontini

**Secretary to the Board of Directors**  
Diana Allegretti

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

**Independent Auditors**  
PricewaterhouseCoopers S.p.A.

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

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





## CONTENTS

<b>Letter to the Shareholders</b>	<b>10</b>
<b>Report on Operations</b>	<b>13</b>
1. Profile of DeA Capital S.p.A.	14
2. Information for shareholders	18
3. The DeA Capital Group's key Statement of Financial Position and Income Statement figures	21
4. Significant events during the year	23
5. Results of the DeA Capital Group	26
6. Results of the Parent Company DeA Capital S.p.A.	64
7. Other information	67
8. Proposal to approve the Annual Financial Statements of DeA Capital S.p.A. for the Year Ending 31 December 2017 and the partial distribution of the share premium reserve	76
 <b>Consolidated Financial Statements for the Year Ending 31 December 2017</b>	 <b>77</b>
 <b>Statement of responsibilities for the Consolidated Financial Statements pursuant to art. 154-bis of Legislative Decree 58/98</b>	 <b>140</b>
 <b>Information pursuant to art. 149-duodecies of Consob Issuers Regulation – Consolidated Financial Statements</b>	 <b>141</b>
 <b>Annual Financial Statements for the Year Ending 31 December 2017</b>	 <b>143</b>
 <b>Certification of the Annual Financial Statements pursuant to art. 154-bis of Legislative Decree 58/98</b>	 <b>197</b>
 <b>Information pursuant to art. 149-duodecies of Consob Issuers Regulation – Annual Financial Statements</b>	 <b>199</b>
 <b>Summary of subsidiaries' Financial Statements for the Year Ending 31 December 2017</b>	 <b>201</b>
 <b>Independent Auditors' Report (Original available in Italian version)</b>	 <b>203</b>
 <b>Report of the Board of Statutory Auditors (Original available in Italian version)</b>	 <b>219</b>

# Letter

---

“In 2017, DeA Capital further strengthened its leadership position in Italy's alternative asset management sector, entering new business segments and expanding its investor base, while at the same time preparing for a new phase of development, including at international level”.

# to the Shareholders

Dear Shareholders,

In 2017, DeA Capital brought its total volume of assets under management (AUM) to EUR 11.7 billion, an increase of over EUR 1 billion compared with the end of 2016, thanks to the launch of new funds and the expansion of its investor base; management fees were around EUR 60 million, while net "operating" profit generated by the platform stood at EUR 13.2 million, a rise of 22% on the results reported in 2016.

During the year, DeA Capital expanded its activities to include new investment initiatives, notably in the special purpose acquisition companies (SPAC) segment – with the co-sponsorship of Crescita and IDeaMI, which brought in a total of nearly EUR 400 million – and the signing of new agreements for the launch, in early 2018, of a new special opportunities fund focusing on the acquisition of secured non-performing loans. Also in the non-performing loans segment, the company consolidated its presence in the corporate arena, with the IDeA Corporate Credit Recovery II fund, which generated over EUR 300 million.

In this framework, DeA Capital has confirmed itself as Italy's leading alternative asset management operator, able to generate significant investment opportunities in the most attractive asset classes of real estate, private equity and non-performing loans; firmly established in the ranks of Italy's major industrial groups, it boasts a management platform centred on 185 professionals, an extensive network of relationships, and robust financial solidity.

In fact, the Alternative Asset Management business is precisely where the Company intends to pursue its new phase of development, including at international level, having broadly completed the three-year plan to change the focus of its activities. The plan was launched at the end of 2014 with the sale of Générale de Santé and continued with the reduction of its exposure to Migros, its exit from Sigla and the progressive "run-off" of the generalist funds launched during 2007-2009 (IDeA I FOF, IDeA Opportunity Fund I and ICF II).

On the financial front, the results recorded in 2017 reflect this change of focus.

The investment portfolio was reduced to EUR 396.5 million due to the combination of new investment totalling EUR 46.5 million and divestments/dividends from investee companies of over EUR 100 million; meanwhile the net financial position of the holding companies rose to +EUR 92.3 million, now almost 20% of the net asset value (which remained stable at EUR 1.91/share, due to the marking of some equity investments to market).

This net financial position, together with the projections of further cash generation by the investment portfolio, has thus allowed us to propose another dividend – again for EUR 0.12/share – which confirms DeA Capital as one of the companies with the best dividend yield on the entire Italian stock exchange. The market also showed its appreciation of the company's change of business focus in a tangible way, with the DeA Capital share price rising by around 22% in 2017, compared with the FTSE All-Share index and the LPX Composite index (containing all the major listed private equity companies), which rose by 15.5% and 6.6% respectively.

Looking at the forecasts for this year, both the international and the Italian economies are showing signs that the recovery is accelerating, thanks partly to the support of monetary policies, which are continuing to be "accommodative". This environment should favour alternative investments and, in general, the whole of the M&A sector, which, since the start of 2018, has exceeded USD 1,000 billion globally, a higher rise than that seen in 2007, the record year for transaction volumes.

However, since we are aware of aspects that could rapidly affect the business environment, we will continue along the path already outlined in recent years of maintaining a solid financial structure and operating with the utmost discipline in our investment decisions, by optimising the risk/return ratio and minimising the risks. We will also continue with our active return on invested capital policy, based on a medium to long-term approach to creating value for shareholders.



**Lorenzo Pellicioli**  
Chairman



**Paolo Ceretti**  
Chief Executive Officer





# Profile of

---

With assets under management of more than EUR 11,700 million and an investment portfolio of approximately EUR 400 million, DeA Capital S.p.A. is one of Italy's largest alternative investment operators.

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

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

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

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

- the quality, built up over time, of the management team, which has almost 200 professionals dedicated to making investments and managing funds in the most attractive alternative investment asset classes (real estate, private equity and NPL);
- its solid financial position, which enables it to support the launch of new initiatives with its own capital, and hence substantially align its interests with those of the investors in the managed funds;
- an extensive network of international relationships, which makes DeA Capital the preferred Gate-to-Italy for alternative investment decisions in our country;
- its membership of one of Italy's leading business groups, whose structure is built on a long-term approach that best supports the Company's growth path.

# DeA Capital S.p.A.

## PRIVATE EQUITY INVESTMENT

### Direct investment

**Migros**, Turkey's leading food retail chain operator

**Crescita**, special purpose acquisition company

**IDeaMI**, special purpose acquisition company

### Indirect Investment

In private equity and real estate funds.



## ALTERNATIVE ASSET MANAGEMENT

2.2 Bln €

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

*Asset Under Management: Eur 2.2 billion*

9.5 Bln €

**DeA Capital Real Estate SGR**,  
which manages real estate funds.

*Asset Under Management: Eur 9.9 billion*

### SPC

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

### IRE

which operates in project, property and facility  
management, as well as real estate brokerage.



For further info:  
[www.deacapital.com](http://www.deacapital.com)

section: *Investimenti and Asset Management*

At 31 December 2017, DeA Capital S.p.A. reported Group shareholders' equity of EUR 489.4 million, corresponding to a **net asset value (NAV) of EUR 1.91 per share** (unchanged on the figure at 31 December 2016), adjusted for the distribution of the extraordinary dividend of EUR 0.12 per share in May 2017.

More specifically, the investment portfolio totalled EUR 396.5 million and consists of Private Equity Investment shareholdings of EUR 79.0 million, Private Equity Investment funds of EUR 170.9 million and net assets relating to the Alternative Asset Management business of EUR 146.6 million.

## Private equity investment

### • Main shareholdings

- minority shareholdings in **Migros**, Turkey's leading food retail chain operator, whose shares are listed on the Istanbul Stock Exchange; the investment is held through the Luxembourg-registered company Kenan Investments S.A., an investment recorded in the AFS portfolio of the DeA Capital Group (with a stake of 17.1% in Kenan Investments, equating to a fully diluted stake of about 4.0% in Migros);
- minority shareholding (5.8% of total shares issued) in **Crescita**, a special purpose acquisition company (SPAC) which is engaged in researching and selecting unlisted operating companies with which to carry out a business combination within 24 months of listing (March 2017);
- minority shareholding (9.7% of total shares issued) in **IDeaMI**, a special purpose acquisition company (SPAC) which is engaged in researching and selecting medium-sized, unlisted Italian companies with high value-creation potential with which to carry out a business combination within 24 months of listing (December 2017).

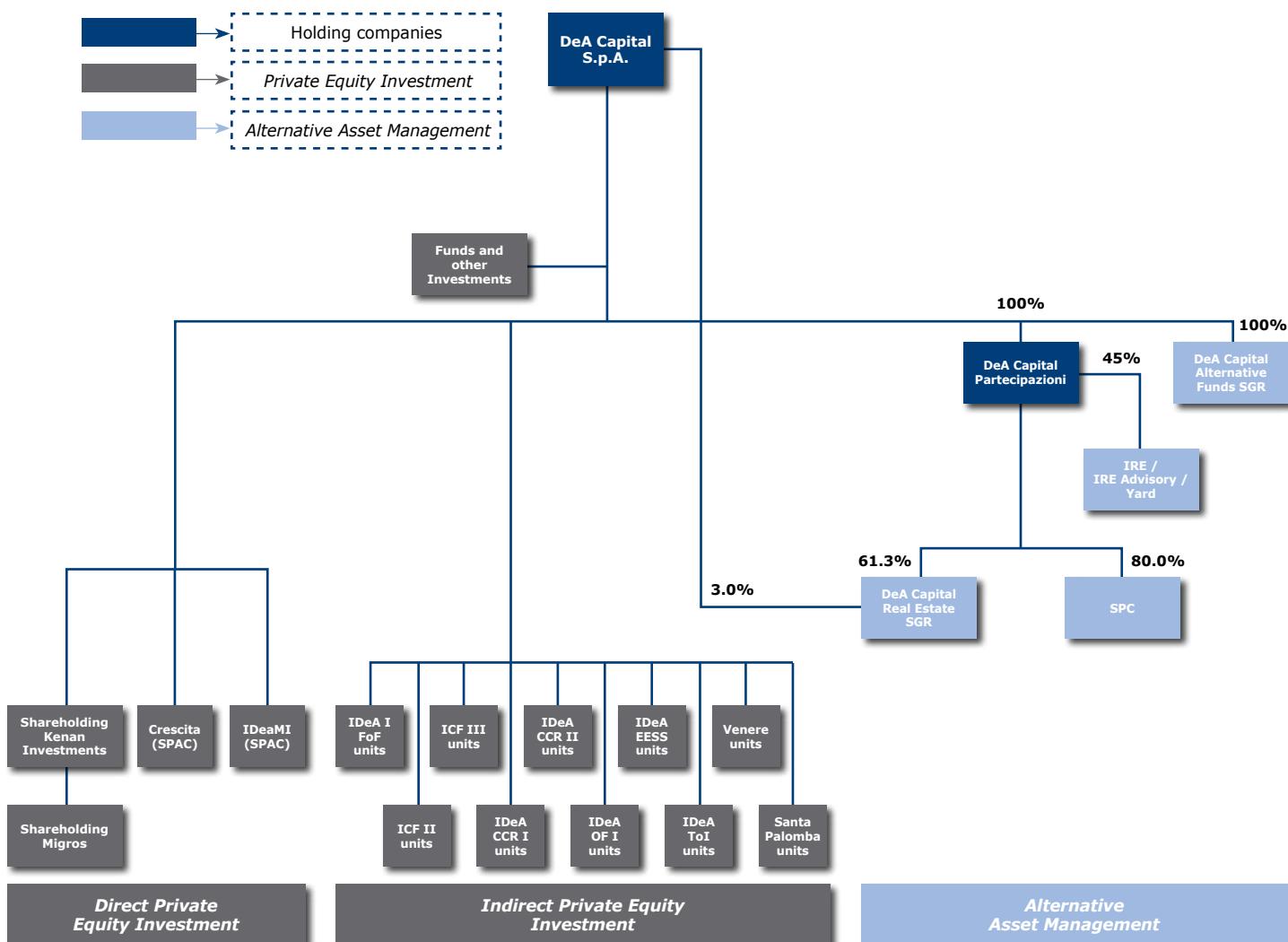
### • Funds

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

## Alternative asset management

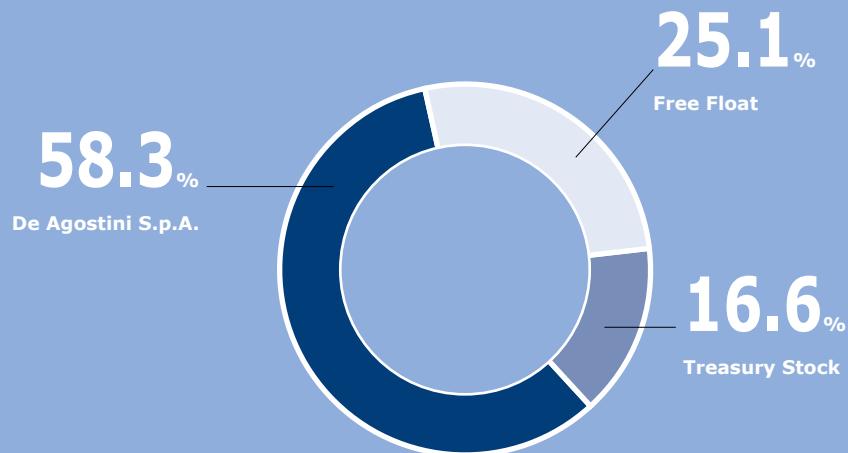
- 100% control of **DeA Capital Alternative Funds SGR**, which manages private equity funds (funds of funds, co-investment funds and theme funds) with about EUR 2.2 billion in assets under management (AUM) and ten managed funds;
- controlling interest in **DeA Capital Real Estate SGR** (64.3%), Italy's largest independent real estate asset management company, with assets under management of about EUR 9.5 billion and 43 managed funds (including four listed funds);
- controlling interest in **SPC** (80.0%), a company that specialises in secured and unsecured debt recovery, with a focus on the banking, leasing, consumer and commercial sectors in Italy, with assets under management of around EUR 0.4 billion;
- strategically important stake in **IRE** (45.0%), which operates in project, property and facility management and due diligence, as well as in real estate brokerage.

At 31 December 2017, the corporate structure of the Group headed by DeA Capital S.p.A. (the DeA Capital Group, or the Group) was as summarised below:



# Information for

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



(#) Figures at 31 December 2017  
Note: At the date of this document, there were 52,640,623 treasury shares representing approximately 17.2% of share capital.

## Performance of the DeA Capital share

From 1 January 2015 to 31 December 2017, the Company's share price rose by +17.7%. In the same period, the FTSE All-Share® and LPX Composite® gained +20.1% and +23.9% respectively.

The DeA Capital share rose by +22% in 2017, while the Italian market index FTSE All-Share® gained +15.5% and the LPX Composite® increased by +6.6%. The share's liquidity was significantly higher than in 2016, with average daily trading volumes of over 425,000 shares.

The share prices recorded in 2017 are shown below. The prices and performance have been adjusted by the dividend amount (EUR 0.12 per share) paid to shareholders in May 2017.

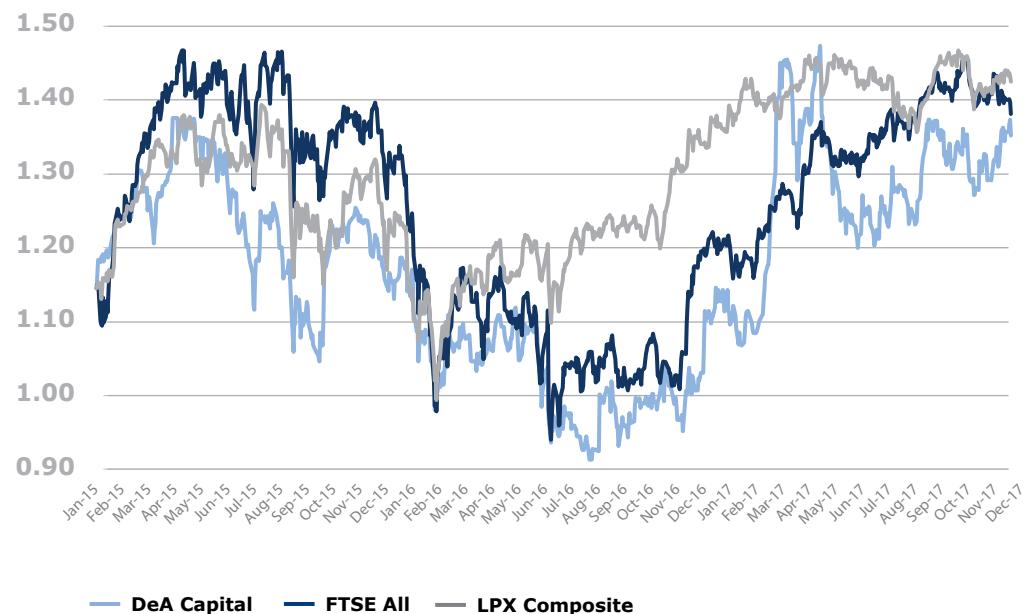
(in EUR)	1 Jan – 31 Dec 2017
Maximum price	1.47
Minimum price	1.07
Average price	1.27
<b>Price at 31 December 2017</b> (EUR per share)	<b>1.35</b>

(EUR million)	31 Dec 2017
<b>Market capitalisation at 31 December 2017</b> (EUR million)	<b>345</b>

# shareholders

## SHARE PERFORMANCE \*

From 1 January 2015 to 31 December 2017



From 1 January 2017 to 31 December 2017



(\*) Source: Bloomberg



For further info:  
[www.deacapital.com](http://www.deacapital.com)

section: *Investor Relations*

# Investor Relations

DeA Capital S.p.A. maintains stable and structured relationships with institutional and individual investors.

In 2017, the Company increased its **communications activities**, by participating in various events and roadshows: the Milan STAR Conference in March, the "Le Eccellenze del Made in Italy" event in Rome in May, roadshows in Dublin, London and Milan during the summer and the STAR Conference in London in October. The Company met with over fifty institutional investors at these events. During the year, the Company also held meetings and conference calls with institutional investors, portfolio managers and financial analysts from Italy and abroad.

**Research** coverage of the share is currently carried out by Equita SIM and Intermonte SIM, the two main intermediaries on the Italian market, with Intermonte SIM acting as a specialist. In addition, since the beginning of 2015, coverage of the share has also been carried out by Edison Investment Research, an independent equity research company based in London. In 2017, Edison research relating to DeA Capital S.p.A. was read by around 3,965 institutional investors and analysts in more than 49 countries in Europe, Australia, North America, Asia and the rest of the world. The research carried out by these intermediaries is available in the Investor Relations/Analyst Coverage section of the website [www.deacapital.com](http://www.deacapital.com).

In December 2008, the DeA Capital share joined the LPX® **indices**, specifically the LPX Composite® and LPX Europe®. The LPX® indices measure the performance of the main listed companies operating in private equity (Listed Private Equity, or LPE) and, thanks to the strong diversification by region and type of investment, have become one of the most popular benchmarks for the LPE asset class.

The method used to construct the indices is published in the LPX Equity Index Guide. For further information, please visit the website: [www.lpx.ch](http://www.lpx.ch).

The DeA Capital S.p.A. **website** is available in Italian and English at [www.deacapital.com](http://www.deacapital.com). The site has a wealth of information, financial data, tools, documents, videos and news related to the DeA Capital Group's activities, strategy and investment portfolio. The social networks where DeA Capital has a presence can also be accessed from the homepage; while articles, communications and interesting sections can also be shared on social media. DeA Capital S.p.A. has strengthened its presence on Wikipedia and the following social networks, adding its most recent documents, such as reports and presentations, for institutional investors: *Slideshare* and *LinkedIn*.

Since April 2014, DeA Capital S.p.A. has published an **interactive report** containing the annual financial results. These are available from the "Annual and quarterly reports" section of the website.

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

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



DeA Capital Group's headquarters



For further info:  
[www.deacapital.com](http://www.deacapital.com)  
section: *Investor Relations*

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

The DeA Capital Group's key Statement of Financial Position and Income Statement figures at 31 December 2017 are shown below, compared with the corresponding figures at 31 December 2016.

(EUR million)	31.12.2017	31.12.2016 "adjusted" (*)	31.12.2016 "as reported"
NAV/share (EUR)	<b>1.91</b>	1.91	2.03
Group NAV	<b>489.4</b>	498.0	529.2
Investment portfolio	<b>396.5</b>	448.8	448.8
Net financial position - Holding companies	<b>92.3</b>	48.5	79.7
Consolidated net financial position	<b>128.9</b>	71.9	103.1

(\*) The "adjusted" results at 31.12.2016 take into account the extraordinary dividend distribution of 0,12 € / share, for a total 31,2 million Euro, which was completed in May 2017.

(EUR million)	2017	2016
Parent Company net profit/(loss)	<b>(36.6)</b>	7.6
Group Net Profit/(Loss)	(11.7)	12.4
<i>of which: Impairment (#)</i>	(26.9)	(1.5)
"adjusted" Group Net Profit	<b>15.2</b>	13.9
Comprehensive income (Group share)	(2.7)	16.7
<i>of which: Impairment (#)</i>	(26.9)	(1.5)
"adjusted" Comprehensive income (Group share)	<b>24.2</b>	18.2

(#) Related to goodwill / equity instruments of DeA Capital Real Estate SGR (Euro -24,5 million) and goodwill of SPC (Euro -2,4 million).

The table below shows the change in the Group's NAV in 2017:

Change in Group NAV	Total value (EUR m)	No. shares (millions)	Value per share (EUR)
<b>Group NAV "as reported" at 31.12.2016</b>	<b>529.2</b>	<b>261.2</b>	<b>2.03</b>
Extraordinary dividend distributed	(31.2)		(0.12)
<b>"adjusted" Group NAV at 31.12.16</b>	<b>498.0</b>		<b>1.91</b>
Purchase of own shares	(8.0)	(6.0)	(1.34) <sup>(*)</sup>
Treasury shares delivered to the incentive plans	0.3	0.5	1.53 <sup>(#)</sup>
Comprehensive income - Statement of Performance - IAS 1	(2.7)		
Other changes in NAV	1.8		
<b>Group NAV at 31.12.2017</b>	<b>489.4</b>	<b>255.7</b>	<b>1.91</b>

(\*) Average price of purchases in 2017.

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

The table below provides details of the Group's Statement of Financial Position at 31 December 2017 (compared with the position at 31 December 2016):

	December 31, 2017		December 31, 2016 "adjusted" (*)	
	M€	€/Sh.	M€	€/Sh.
<i>Private Equity Investment</i>				
- Kenan Inv. / Migros	<b>45.6</b>	0.18	<b>66.9</b>	0.26
- Funds - Private Equity / Real Estate	<b>170.9</b>	0.67	<b>202.9</b>	0.78
- Other (IDeAMI, Crescita,...)	<b>33.4</b>	0.13	<b>11.7</b>	0.04
<b>Total PEI (A)</b>	<b>249.9</b>	<b>0.98</b>	<b>281.5</b>	<b>1.08</b>
<i>Alternative Asset Management</i>				
- DeA Capital Real Estate SGR	<b>101.2</b>	0.40	<b>122.7</b>	0.47
- DeA Capital Alternative Funds SGR	<b>39.4</b>	0.15	<b>37.7</b>	0.14
- Other (IRE / SPC)	<b>6.0</b>	0.02	<b>6.9</b>	0.03
<b>Total AAM (B)</b>	<b>146.6</b>	0.57	<b>167.3</b>	<b>0.64</b>
<b>Investment Portfolio (A+B)</b>	<b>396.5</b>	<b>1.55</b>	<b>448.8</b>	<b>1.72</b>
Other net assets (liabilities)	<b>0.6</b>	0.00	<b>0.7</b>	0.00
Net Financial Position Holdings	<b>92.3</b>	0.36	<b>48.5</b>	0.19
<b>NAV</b>	<b>489.4</b>	<b>1.91</b>	<b>498.0</b>	<b>1.91</b>

(\*) The "adjusted" results at 31.12.2016 take into account the extraordinary dividend distribution of 0,12 € / share, for a total 31,2 million Euro, which was completed in May 2017.

## 4. Significant events during the year

The significant events that occurred in 2017 are reported below.

### Private equity funds – paid calls/ distributions

In 2017, the DeA Capital Group increased its investments in the IDeA I FoF, ICF II, ICF III, IDeA OF I, IDeA EESS, IDeA ToI and IDeA CCR I funds with payments totalling EUR 11.7 million.

At the same time, the DeA Capital Group received capital reimbursements totalling EUR 52.7 million in 2017 relating to the IDeA I FoF, ICF II, IDeA OF I and IDeA EESS funds.

Thus, in 2017, the private equity funds in which DeA Capital S.p.A. has invested generated a net positive cash balance of EUR 41.0 million for the portion relating to the Group.

### Investment in the “Crescita” (“Growth”) special purpose acquisition company (SPAC)

In 2017, the DeA Capital Group completed its investment in the “Crescita” (“Growth”) special purpose acquisition company (SPAC), whose shares commenced trading on the Italian stock exchange on 15 March 2017, for a total outlay of EUR 7.8 million. The portion acquired equates to 5.8% of the ordinary shares (totalling EUR 130 million) and 9.2% of the preference shares (totalling EUR 3 million); the latter can be converted into a maximum of six ordinary shares each, subject to the achievement of certain objectives.

The SPAC’s objective is to complete a business combination with an Italian target company within 24 months of its listing date.

After the end of 2017, in January 2018, the SPAC announced a business combination with the Cellular Group, brand holder of Cellularline and Italian leader (as well as a major European operator) in the development and sale of accessories for smartphones and tablets. If the business combination, which is to be submitted to the Shareholders’ Meeting on 20 March 2018, is approved, the Cellular Group’s shares will be listed on AIM Italia (with around 63% outstanding shares).

### Liquidation of the Atlantic Value Added fund (involving the distribution in kind of the units in the Venere fund)

In March 2017, the Group completed the early liquidation of the Atlantic Value Added fund, managed by DeA Capital Real Estate SGR, which involved the distribution in kind of the units held in the Venere fund (as well as the distribution of the remaining liquidity).

As a result of the transaction, therefore, DeA Capital S.p.A. directly holds 9.1% of the Venere fund, which is managed by DeA Capital Real Estate SGR and has no remaining commitments.

### Share buy-back plan

On 20 April 2017, the Shareholders’ Meeting of DeA Capital S.p.A. authorised the Board of Directors to buy and sell, on one or more occasions, and on a revolving basis, a maximum number of treasury shares representing a stake of up to 20% of the share capital.

The new plan replaces the previous plan approved by the Shareholders’ Meeting on 21 April 2016 (which was scheduled to expire with the approval of the 2016 Annual Financial Statements), and will pursue the same objectives, including purchasing treasury shares to be used for extraordinary transactions and share incentive schemes, offering shareholders a means of monetising their investment, stabilising the share price and regulating trading within the limits of current legislation.

The authorisation specifies that purchases may be made up to the date of the Shareholders’ Meeting to approve the Financial Statements for the Year Ending 31 December 2017, and, in any event, not beyond the maximum period of 18 months allowed by law, and that DeA Capital S.p.A. may also sell the shares purchased for trading purposes, without time limits. The unit price for the purchase of the shares will be set on a case-by-case basis by the Board of Directors, but must not be more than 20% above or below the share’s reference price on the trading day prior to each purchase.

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

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

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

## New Performance Share Plan

On 20 April 2017, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2017-2019, under which a maximum of 1,200,000 units may be granted. On the same date, in implementing the shareholders' resolution, the Board of Directors of DeA Capital S.p.A. voted: *(i)* to launch the Performance Share Plan 2017-2019 approved by the Shareholders' Meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and *(ii)* to grant 975,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.; subsequently, on 27 July 2017, the Company granted a further 100,000 units under the Plan.

The shares granted due to the vesting of units will be drawn from the treasury shares already held by the Company; the grant of such shares will not therefore have a dilutive effect.

## Receipt of the penultimate tranche of the proceeds of the sale of the controlling interest in IRE

On 28 April 2017, the DeA Capital Group received, via its subsidiary DeA Capital Partecipazioni, EUR 0.6 million, being the penultimate tranche of the proceeds of the sale of the majority stake in IRE, which was completed in 2016. The last tranche of the price – a further EUR 0.6 million – is scheduled to be paid by 30 April 2018.

## Vesting of the DeA Capital Performance Share Plan and the Stock Option Plan for 2014-2016

In May 2017, 480,571 treasury shares (approx. 0.2% of the share capital) were granted as a result of the vesting of the DeA Capital S.p.A. performance share plan and stock option plan for 2014-2016.

## Dividends from Alternative Asset Management

During the first months of 2017, the Alternative Asset Management business distributed a total of EUR 5.4 million to the DeA Capital Group's holding companies (EUR 9.7 million in 2016), broken down as follows: EUR 3.3 million to DeA Capital Real Estate (pro-rata share of the total EUR 5.1 million), EUR 1.5 million to DeA Capital Alternative Funds (100% of the dividends paid) and EUR 0.6 million to IRE (pro-rata share of the total EUR 1.4 million).

## Distribution of the share premium reserve

On 15 May 2017, in accordance with the vote of the Shareholders' Meeting on 20 April 2017, DeA Capital S.p.A. made a partial distribution of the share premium reserve in an amount of EUR 0.12 per share, i.e. based on the total number of entitled shares, in an amount of around EUR 31.2 million.

## Disposal of shares of Migros

In May 2017, Kenan Investments, an investee company in which DeA Capital holds an interest of about 17%, and which holds a 40.25% stake in Migros, completed the transactions relating to a put option on a stake of 9.75% in Migros.

July

The terms and conditions of the option were defined in agreements entered into in 2015 with Turkish group Anadolu when the latter acquired a 40.25% co-controlling stake in the supermarket chain from the total 80.5% stake held at the time by Kenan Investments.

The transaction, which was completed at a price of TRY 30.2 per Migros share, generated proceeds of around EUR 105 million for Kenan Investments, net of expenses, taxes and an amount held in escrow until 2020 to cover potential tax liabilities. The above transaction generated proceeds of around EUR 17.8 million for DeA Capital S.p.A., with the group realising a capital gain of EUR 3.8 million.

Subsequently, on 22 November 2017 Kenan Investments, via the wholly-owned subsidiary Moonlight Capital S.A., completed the partial sale of a stake of 7.3% in Migros, via an accelerated bookbuild, at a price of TRY 26 per share; the placement of the share in question generated proceeds of EUR 12.2 million for DeA Capital S.p.A. and a capital gain of EUR 0.7 million for the Group.

The combination of the two transactions described above generated total proceeds of EUR 30 million for DeA Capital S.p.A. and a capital gain of EUR 4.5 million for the group.

These transactions reduced the stake held by Kenan Investments in Migros from 40.25% to 23.2%, via an indirect pro-rata interest held by DeA Capital S.p.A. of approximately 4.0%.

## Reduction in the assets of IDEC CCR I's Nuova Finanza sub-fund

With effect from 1 July 2017, IDEC CCR I approved a reduction in the Nuova Finanza sub-fund's commitment to EUR 42.8 million (from the original EUR 85.3 million) due to the good performance of the portfolio companies and the resulting lower requirements for the injection of "new finance" to relaunch said companies (as defined when the fund in question was structured). DeA Capital S.p.A.'s commitments therefore reduced from EUR 15.1 million to EUR 7.6 million.

## Increased voting rights for DeA Capital S.p.A. shares held by the Parent Company De Agostini S.p.A.

On 7 July 2017, the increased voting rights attached to 178,795,798 DeA Capital S.p.A. ordinary shares owned by De Agostini S.p.A. (a company controlled by B&D Holding di Marco Drago e C. S.a.p.A.), became effective pursuant

to art. 127-*quinquies* of the TUF and the Company's articles of association.

As a result of this increase in voting rights, De Agostini S.p.A. – which holds approximately 58.3% of the share capital of DeA Capital S.p.A. – now holds about 73.7% of the related voting rights.

## Acquisition of Yard by IRE

On 24 July 2017, Innovation Real Estate (IRE, a 45%-owned investee company of the DeA Capital Group) completed the acquisition of Yard, a full-service provider operating in the real estate sector, which has a customer/services mix that is complementary to that of IRE. The transaction, which does not involve any share exchanges, will take the form of a merger by incorporation of Yard into IRE and is expected to complete by 2018.

## SPC capital increase

In July 2017, payments totalling EUR 2.5 million (DeA Capital Group's share: EUR 2 million) were made to SPC; following subsequent shareholder resolutions (coverage of losses and allocation of share capital), this brought the stake held in SPC by the DeA Capital Group to 80%.

## Amendments to the Performance Share Plans for 2015-2017, 2016-2018 and 2017-2019

On 8 November 2017, in view of the distribution of the extraordinary dividend of EUR 0.12 per share approved by the Shareholders' Meeting on 20 April 2017, the Board of Directors of DeA Capital S.p.A., as the competent body pursuant to the plans' regulations, approved a number of amendments to the existing Performance Share Plans in order to keep the substance and financial content unchanged. Specifically, the Board voted to compensate for the lower value of the plans following the distribution of the above-mentioned extraordinary dividend, in the event that the vesting conditions are met, by granting new units, to be determined on the vesting date.

November

## Investment in the "IDeAMI" special purpose acquisition company (SPAC)

On 6 November 2017, DeA Capital and Banca IMI created IDeAMI, a special purpose acquisition company (SPAC), engaged in researching and selecting medium-sized, non-listed, Italian companies with high value-creation potential with which to carry out a business combination within 24 months of listing.

On 11 December 2017, IDeAMI was listed on the Italian stock exchange, raising funds of EUR 250 million.

DeA Capital S.p.A. invested a total of EUR 25 million in the company, acquiring 8.25% of the ordinary shares (totalling EUR 250 million) and 50% of the special shares (totalling EUR 8.8 million); the latter can be converted into a maximum of six ordinary shares each, subject to the achievement of certain objectives.

## Sale of investments in Sigla and SiCollection

On 18 December 2017, Sigla Luxembourg, a 41.4%-owned investee company of DeA Capital S.p.A., completed the sale of two investments (100% of the capital) held in Sigla and SiCollection to Alchemy Special Opportunities Fund (Alchemy) at a price of EUR 33.8 million.

The transaction generated proceeds of EUR 11.5 million for DeA Capital, net of transaction costs and expenses relating to the management equity plan (for Sigla Luxembourg), in line with the book value of the investment in Sigla Luxembourg.

## Launch of the IDeA Corporate Credit Recovery II (IDeA CCR II) Fund

In December 2017, DeA Capital Alternative Funds SGR launched the IDeA Corporate Credit Recovery II fund, the second debtor-in-possession financing fund, which aims to help relaunch medium-sized Italian companies that are facing financial difficulties but have solid business fundamentals.

IDeA CCR II, which completed a second closing in February 2018 for EUR 5 million, raised a total amount of EUR 301.2 million, of which EUR 231.5 million relates to the Crediti sub-fund (CC) and EUR 69.7 million to the Nuova Finanza sub-fund (CNF).

Several leading Italian banks contributed to the **Crediti sub-fund** by selling to the fund loans they had made to nine previously identified companies in exchange for units in the Fund. The completion of the transfer of loans took place in two stages, in December 2017 and January 2018.

The **Nuova Finanza sub-fund** has obtained a commitment for the financial resources to support the plans to relaunch the companies from both Italian investors (institutional investors and some family offices, as well as DeA Capital S.p.A., the fund's sponsor) and international investors.

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

## 5. Results of the DeA Capital Group

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

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

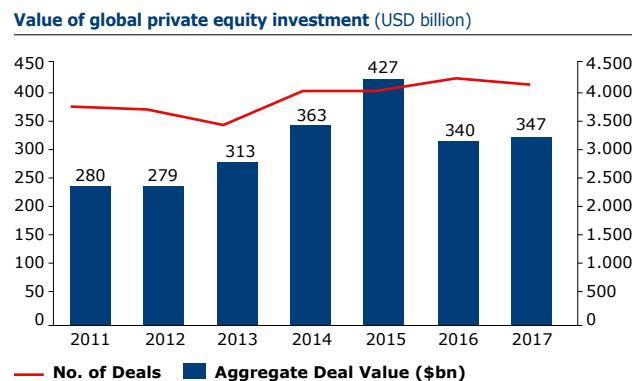
### Private equity

#### **Investment prospects and the performance of European and global private equity**

2017 was a positive year for the private equity industry, which saw increasing interest from investors. Current valuations, which have reached record levels, and performance in this asset class reflect the economy's good growth fundamentals, associated with the low interest rates, which have also strengthened in Europe. The general decline of the dollar against the other currencies has stimulated investors' interest in reconsidering

allocations to Asia, a region that has broken free from the other emerging countries, which are grappling with uncertain prospects. The level of investment is rising slightly, driven by both fundraising, which has reached record levels, and the plentiful supply of loan capital at particularly favourable conditions available to the general partners (GPs). The risks associated with the economic situation, such as the worsening of geopolitical tensions, the potential weakening of the European Union, called into question by the uncertainty surrounding Brexit and by Catalonia's drift towards independence, have forced GPs to be more selective about investments, whose growth has not kept pace with collections. However, exit activity has reduced, most probably caused by buyers being equally selective. The secondary market, which tends to offer very limited discounts, has proved a very efficient venue for extraordinary transactions led by managers needing to extend the duration of funds that require longer timescales for their exit plans to fully materialise. Of particular interest is the increasing institutionalisation of the industry, driven by the expansion of the investor base and the growing level of regulation.

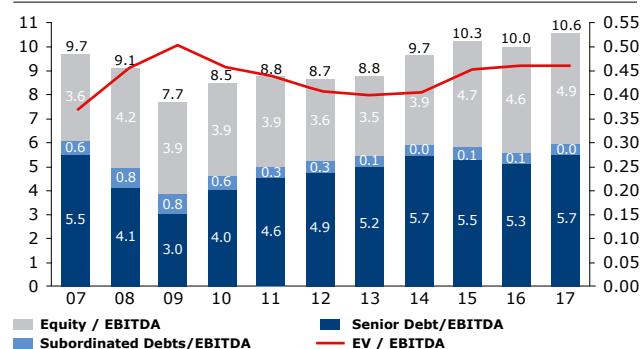
One effect is that capital is progressively concentrating in the hands of larger management companies, which fuel their growth by, on the one hand, raising increasingly large amounts for flagship funds and, on the other, developing complementary strategies to meet investor needs.



Source: Preqin - February 2018

A more detailed analysis shows that investment activity slowed by around 15% in the first half of 2017 compared with the second half of 2016. However, supported by strong pressure to use the capital raised, the trend reversed during 2017. The second half of 2017 closed with transaction volumes up 25% on the first half: driven by Europe and Asia, the rise led to higher annual values than in 2016. Note also the significant increase in public-to-private transactions, which after accounting for 20% of all private equity buyout transactions last year, leapt ahead in 2017, gaining 9 percentage points to post growth of 29%; this phenomenon is partly explained by the larger size of the funds that are seeking investment opportunities in large companies or simply looking to benefit from switching situations in which the valuations of listed companies, influenced by external factors, turn out to be lower than those of their non-listed peers.

**Prices and financial structures of BO transactions (USD billion)**



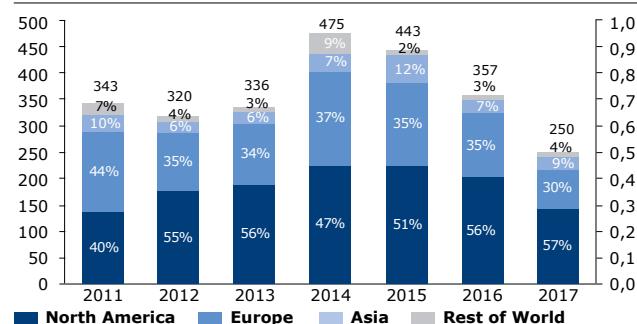
Source: S&P LCD US Leveraged Buyout Review 4Q 2017

The main and biggest transactions have taken place in the US market, with a significant proportion in the pharmaceutical/medical and IT sectors, which together accounted for around 35% of all transactions in 2017.

With regard to the financial structure of the transactions, however, the level of equity used in both the United States and Europe has risen slightly compared with recent years, and with pre-Lehman levels in particular, and seems to have stabilised at around 45%.

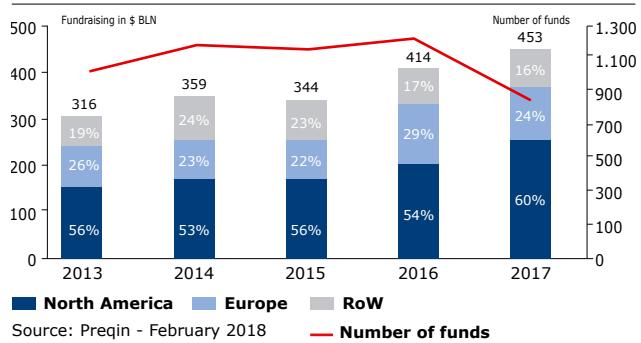
Moreover, subordinated debt has gradually declined to the extent that it has almost disappeared from the US market. This is a sign of lower risk appetite and hence greater capital protection in the event that valuation multiples were to fall.

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

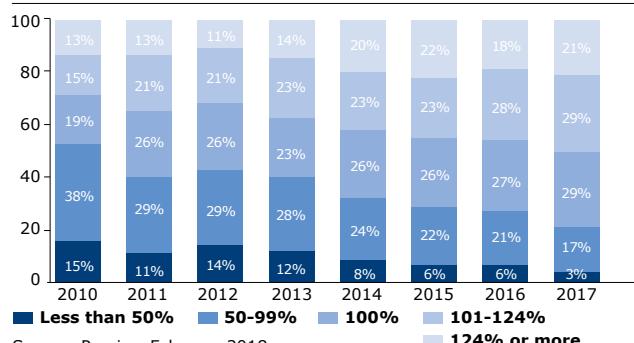


Source: Preqin - February 2018

#### Global PE fundraising (USD billion)



#### Global PE fundraising by region (USD billion)



Fundraising reached new record levels again in 2017.

At aggregate level, over USD 450 billion was raised

from some 920 closed-end private equity funds in 2017.

However, growth was more moderate in the second half.

The now well-established process of global consolidation continued, mainly in the North American and European markets; however, although the amount of funds raised in these markets is still increasing, fewer mid-sized funds are growing constantly.

The keen interest in the private equity asset class is also clear from the success and speed with which funds raising capital reach their target size: around 80% achieved this in 2017, compared with 47% in 2010, and the average fund-raising period fell to 13.4 months in 2017 from 19.2 months in 2010.

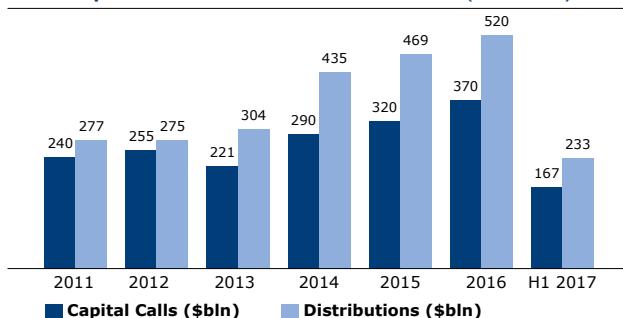
At regional level, the North American market closed the second half with a slight correction compared with the first half, but with significant year-on-year growth (+24%).

At the same time, the gap widened with the European market, which, after rapid growth in 2015-2016 (64%), fell slightly (-12%) in 2017 due to the instability engendered by Brexit.

Conversely, emerging markets are showing significant signs of recovery, led by increasing interest in funds with an Asian focus, with funds raised exceeding 2016 levels (+15%).

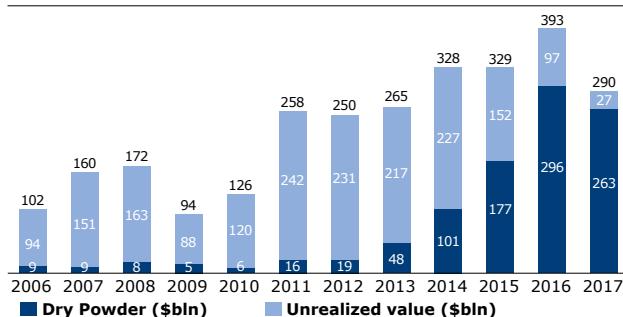
Divestment activity continues to slow, however, closing 2017 with an aggregate exit value of USD 250 billion compared with USD 357 billion in 2016 (-30%) and USD 443 billion in 2015 (-44%). 2017 therefore marked the third year running in which the number of exits fell (and the second year for transaction volumes). This performance is attributable to the high valuations that still dominate the market, which has made purchasers more selective about their transactions.

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



Source: Preqin - February 2018

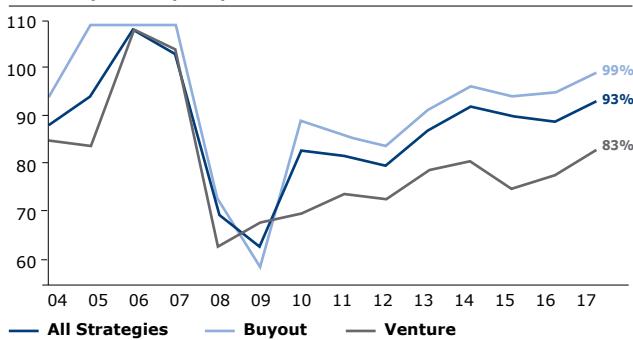
### AUM Private Equity by vintage (USD billion)



Source: Preqin - February 2018

Distributions received by investors exceeded capital calls once again in 2017. Net balances were positive for the seventh year in a row, generating interest on the part of LPs in maintaining or increasing their allocations to private equity, another factor which stimulated fundraising. However, there is a significant amount of unrealised value in the portfolios of private equity funds, including in older, vintage funds (2007-2012), which shows there is a large number of companies in an advanced state of maturity that are potentially ready to be sold. The dry powder available for these is about USD 1,030 billion, a rise of 20% on 2016.

### Secondary market price performance



Source: Cogent Greenhill - January 2018

After a slight slowdown in 2016, secondary market activity showed signs of a very significant recovery in 2017, with transaction volumes totalling USD 58 billion, up by a good 57% on the figure of USD 37 billion in 2016. Transactions managed by GPs were the main driver of the secondary market, with a total volume in 2017 of USD 14 billion, 24% of the entire market. Some of the main reasons were the restructuring or liquidation of some of the older vintage funds. It is also interesting to note how buyout funds, which have always been the strategy of choice for secondary market transactions, are giving way to other strategies: in 2017, buyout funds represented 39% of transactions, compared with 54% in 2016. This is mainly because the underlying assets are easier for buyers to understand and predict, who are willing to reduce their hurdle rates, partly thanks to easier access to leverage.

Prices continue to rise, and are currently at an average discount of 7% for all strategies. Expectations for 2018 are in line with the trend in 2017, with transaction volumes increasing and prices stable or rising slightly, thanks to the plentiful capital available for use in this strategy.

In conclusion, as is customary, we identify the potential investment themes associated with market conditions as follows:

- The European and US buyout markets still feature high prices, the availability of low-cost debt and a substantial level of dry powder. The pursuit of higher returns must concentrate on funds with clear competitive advantages in deal sourcing, but most importantly, in value creation for the companies in the portfolio. Specifically, sector or fund strategies focusing on individual geographical regions with an established network of local offices may help operators identify opportunities before other competitor funds, while funds specialising in complex situations such as carve-outs could have access to opportunities that are not considered by most operators.
- Private credit, in its various forms, offers attractive opportunities in both the US and Europe. Expectations of further Fed rate rises could test the financial structures of companies that have underestimated the amount of cash generation required to service debt. Distressed debt funds could therefore identify new investment opportunities, although a reversal of the credit cycle still seems premature, especially in Europe, where banks are continuing to restructure their loan portfolios.

- There will be new opportunities in emerging markets as a result of renewed currency stability. Local currency crises in recent years have expedited a process of natural selection among private equity operators. The market is slowly but steadily maturing, and it will become increasingly important to select reliable operators with a proven track record of generating transactions. Valuations that have not yet peaked, as they have done in Europe and the US, will provide managers with good opportunities for diversifying their portfolios. Recovering oil prices will benefit many countries with extensive reserves of natural resources.

### Private equity in Italy

Statistics prepared by the Italian Private Equity and Venture Capital Association (AIFI) and currently updated to the first half of 2017 show that investments totalled EUR 1.9 billion in the first half of the year, a fall of 61% on the EUR 4.9 billion at 30 June 2016. Excluding large and mega deals, which were sparse in the first half of 2017, investments rose 24% to EUR 1 billion (EUR 805 million in the year-earlier period). Fundraising increased by 61% compared with the same period in 2016. Capital raised in the market totalled EUR 1.2 billion, compared with EUR 721 million in the first half of 2016.

Private debt raised in the first half of 2017 totalled EUR 282 million, compared with EUR 358 million in the year-earlier period. A breakdown of funding sources in the segment by geographical region shows that 100% of funds in the first half of 2017 were raised in Italy.

New investments were in line with 2016 (139 versus 138 units).

In terms of amount, most of the resources invested, as in previous years, went into buy-out transactions, which attracted EUR 1.2 billion in the first half of 2017 (EUR 3.4 billion in the same period of 2016). Note also the great achievement of the infrastructure segment, which rocketed by 686% to EUR 373 million (compared with EUR 47 million in the first half of 2016).

Divestment activity increased in the first half of 2017: 67 investments were sold, up from 57 in the first half of 2016. The amount divested, calculated at historical acquisition cost, totalled EUR 1.2 billion, compared with EUR 1.5 billion in the first half of 2016 (-18.4%).

## Real Estate

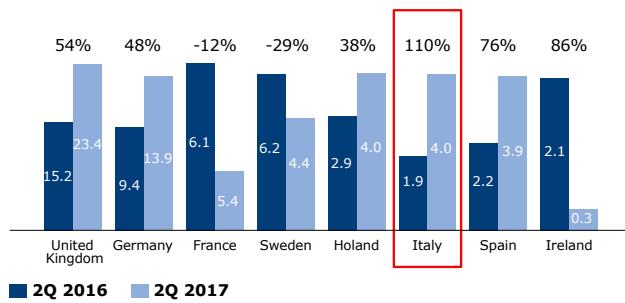
### Real Estate in Europe

Direct investment in non-residential property in Europe totalled over EUR 74 billion in the second quarter of 2017, a rise of 25% on the year-earlier period, bringing the half-year total to around EUR 130 billion, up 13% compared with the first half of 2016. The strong quarterly performance was largely influenced by the recovery in trading activity in the UK, where investment reached around EUR 23.5 billion, a rise of 54% on the EUR 16 billion recorded in the first quarter of 2017.

Germany, where investment volume was up 48% on the second quarter of 2016 at EUR 13.9 billion, was one of the driving forces of investment growth in Europe. Investment growth also continued in the second quarter in Italy, Spain and the Netherlands, which saw their respective volumes increase by 110%, 76% and 38% on the second quarter of 2016.

In France, conversely, investment slowed to around EUR 5.4 billion, a decrease of 12% on the year-earlier period. However, the election of Macron as President is expected to have a positive impact on occupancy and investment markets, strengthening the pipeline expected for the second half of the year.

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



■ 2Q 2016 ■ 2Q 2017

Source: CBRE

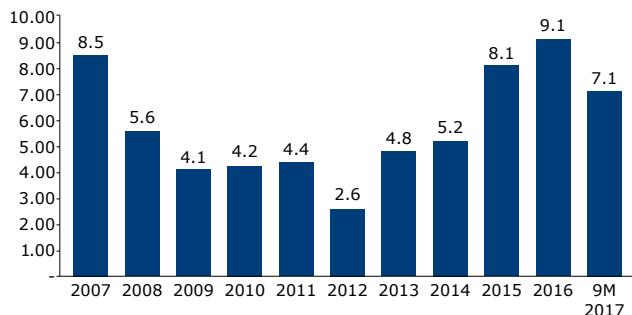
With regard to type of investment, the European office segment posted a decline of 6% in transactions compared with the second quarter of 2016, with a total investment volume of EUR 24.4 billion, or around 33% of all transactions. Positive signs are emerging from the industrial and logistics sector and, to a lesser extent, from other segments, such as telephone exchanges, as investors seek to diversify their investments. Specifically, the industrial/logistics sector, with around EUR 19 billion invested, posted an increase of 303% on the year-earlier period, while the segment relating to property with other intended uses (EUR 14 billion invested) increased by 20% compared with the second quarter of 2016<sup>1</sup>.

### Real Estate in Italy

In the third quarter of 2017, over EUR 1.4 billion was invested in the Italian real estate market, a fall of 17% on the year-earlier quarter, following a contraction in investment. Despite the fall in the last quarter, the total value for the first nine months of 2017 was around EUR 7.1 billion, a rise of 33% on the figure of EUR 5.3 billion recorded in the same period of 2016. By the end of the year, we estimate that total investment volume could exceed EUR 10 billion.

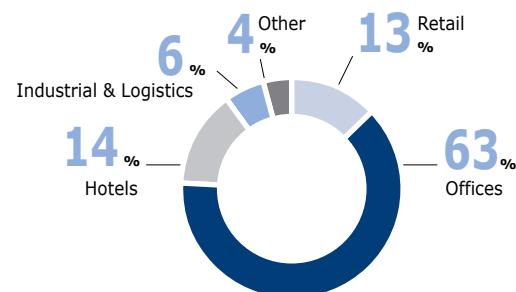
The bulk of investment continues to be represented by foreign capital; in the third quarter of 2017, cross-border investment amounted to 54% of the total (EUR 760 million).

#### Sales and purchases by institutional investors (in EUR billion)



With regard to individual segments, investment in the offices sector totalled EUR 875 million in the third quarter (a rise of 86% on the third quarter of 2016 and a rise of 43% if the first nine months of 2016 and 2017 are compared); the hotels segment raised EUR 194 million, a fall of 4% on the year-earlier period but a rise of 26% if the nine-month periods are compared. Interest in the logistics sector remains high; the volume of transactions recorded in this sector totalled EUR 84 million, a rise of 122% compared with the third quarter of 2016, while retail, with a transaction volume of EUR 188 million, fell sharply from the figure of over EUR 800 million committed in the same period of 2016.

#### Breakdown of non-residential sales and purchases by intended use in Italy in 3Q17 (%)



Source: CBRE

Opposing trends were observed in Milan and Rome. In Milan, investment amounted to EUR 724 million (a rise of 116% compared with the year-earlier period), while in Rome, investment fell by 44% in the third quarter of 2017, with volumes of EUR 226 million<sup>2</sup>.

Taking the retail property market as a whole, the latest figures provided by the *Osservatorio sul Mercato Immobiliare* (OMI) of the Italian Land Agency indicate that the Italian real estate market, with a normalised number of transactions of 504,954 in the third quarter of 2017, is continuing the expansion recorded in the previous quarters.

1 Source: CBRE – Press release, 30 October 2017

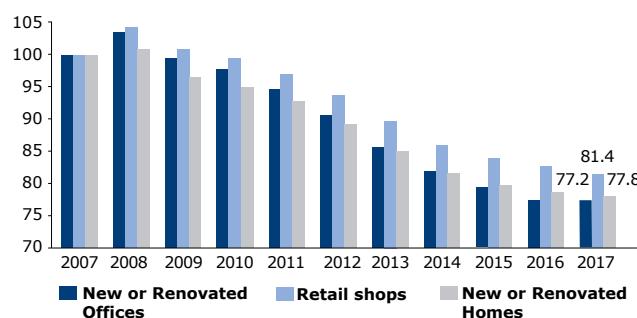
2 Source: OMI – Quarterly Report, Q3 2017

In the third quarter of 2017, the growth rate for residential property transactions remained positive in Italy, rising by 0.3% in the last nine months and by 1.5% year-on-year, but was substantially down on the previous quarters (3.8% in 2Q17 and 8.6% in 1Q17). The number of residential sales and purchases totalled 122,378 in the third quarter, of which 34% were in the North West, 20% in Central Italy, 19% in the North East, and the remaining 27% in Southern Italy and the Islands.

In the non-residential segment, however, sales and purchases in the third quarter totalled 37,504 (a rise of 3.9% compared with the third quarter of 2016). In more detail, the offices/retail, industrial and agricultural-industrial sectors recorded increases of 5.5%, 14.4% and 0.1% respectively over the same period in 2016. Conversely, sales and purchases of non-residential property units that do not fall into the previous categories decreased by 0.5%<sup>3</sup>.

According to Nomisma, the Italian real estate market is approaching a turning point; this can be seen from the fact that the buoyancy in transactions is not yet reflected in prices, which, due to demand, are now, on average, virtually stagnant<sup>4</sup>.

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



Source: Nomisma

#### Real Estate funds in Italy

Growth in the Italian real estate market comes in the wake of a long recession and consolidates the good performance of the real estate funds sector. According to Scenari Immobiliari, net asset value (NAV), based on closing balance sheet estimates, should reach EUR 50 billion in 2017, a year-on-year rise of 4.2%.

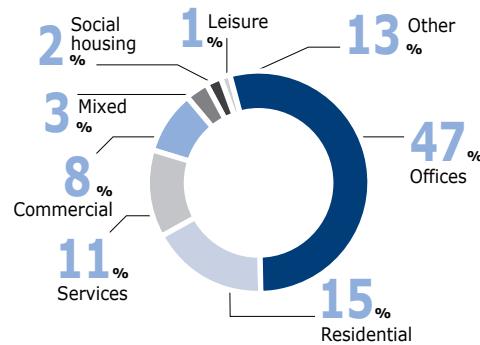
Furthermore, both retail funds and many "family" funds are in the process of making disposals. Direct property assets amount to almost EUR 55 billion, including development

operations. Forecasts for 2018 are for a slight rise in NAV and in assets, given that outflows will be significant.

At the year-end, the balance is likely to be positive, partly due to the existence of new foreign operators.

Debt in the system is still falling, and, in absolute terms, is equivalent to that of 2010, when the NAV was EUR 34 billion.

#### Asset allocation of Italian real estate funds



Source: Scenari Immobiliari

#### Non-performing loans market

The stock of non-performing loans (NPLs) in the Italian banking sector at the end of the second quarter of 2017 comprised gross non-performing loans of EUR 190 billion, probable defaults (i.e. loans for which banks consider full repayment unlikely) of EUR 104 billion and past-due exposures of EUR 6 billion.

With regard to credit management, the increase in the volume of portfolios being sold by the banking sector to investors and strategic outsourcing platforms is driving the sector to continuously evolve and market leaders to gain market share.

In 2017, 46 NPL transactions with volumes of over EUR 150 million were carried out; of the total volume of EUR 64 billion, secured portfolios accounted for 4.7% (approximately EUR 3 billion). Looking ahead to 2018, we estimate that transaction volumes could reach EUR 80 billion, due partly to the Monte dei Paschi di Siena securitisation of around EUR 26.1 billion, which is due to complete by the end of the first half of 2018, and other announced transactions, such as BPM (EUR 4 billion) and BPER (EUR 5 billion).

3 Source: Nomisma – Third Report on the Property Market 2017

4 Source: Nomisma – Third Report on the Property Market 2017

## Private Equity Investment

At 31 December 2017, the DeA Capital Group was a shareholder of:

- Kenan Investments, the indirect parent company of Migros (valued at EUR 45.6 million);
- Crescita, a special purpose acquisition company (valued at EUR 8.2 million);
- IDEaMI, a special purpose acquisition company (valued at EUR 25 million);
- Harvip, which manages funds and investment vehicles used to purchase distressed assets (valued at EUR 0.2 million).

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

At 31 December 2017, the DeA Capital Group held units in the following funds (net carrying value from the funds' consolidated financial statements shown in brackets):

- IDEa I FoF (valued at EUR 49.5 million);
- ICF II (valued at EUR 37.9 million);
- ICF III (valued at EUR 7.9 million);
- IDEa OF I (valued at EUR 25.4 million);
- IDEa EESS (valued at EUR 16.5 million);
- IDEa ToI (valued at EUR 20.7 million);
- IDEa CCR I (valued at EUR 1.6 million);
- Venere (valued at EUR 2.4 million);
- Santa Palomba (valued at EUR 0.4 million);
- six venture capital funds (with a total value of approximately EUR 8.6 million).

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

## Investments in other companies

### KENAN INVESTMENTS (HOLDER OF A SHAREHOLDING IN MIGROS)

# MiGROS

**REGISTERED OFFICE:**

Turkey

**SECTOR:**

Food retail

**WEBSITE:**

[www.migros.com.tr](http://www.migros.com.tr)

**INVESTMENT DETAILS:**

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

In 2017, the interest held by Kenan Investments in Migros fell from 40.25% to 23.2% following the sale of 9.75% of the company under a put option with Turkish conglomerate Anadolu Endustri Holding (which already held 40.25% of the company) and the subsequent sale of 7.3% of the capital via an accelerated bookbuild.

**BRIEF DESCRIPTION:**

Migros was established in 1954 and is the leading company in the food retail sector in Turkey. The company has 1,897 sales outlets (at 31 December 2017), with a total net area of 1,416 thousand square metres.

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

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

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



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

In 2017, Migros completed the acquisition of Tesco-Kipa, a large supermarket chain with a turnover of over TRY 2 billion and 168 sales outlets.

The stake in Kenan Investments (indirectly corresponding to approximately 4.0% of Migros' capital, i.e. 23.2% of Migros' capital via the Group's investment in Kenan Investments) is recorded in the Consolidated Financial Statements for the Year Ending 31 December 2017 at EUR 45.6 million (compared with EUR 66.9 million at 31 December 2016).

The decrease (EUR -21.3 million) on the figure at 31 December 2016 is due to a combination of:

Leading company  
in the food retail  
sector in Turkey

- proceeds of EUR 30.0 million following the sale of shares in Migros by Kenan Investments during the year;
- an increase in fair value (EUR +8.7 million) due to the combined effect of the rise in the price per share (TRY 27.56 per share at 31

December 2017, versus TRY 17.58 per share at 31 December 2016) and the devaluation of the Turkish lira against the euro (4.55 TRY/EUR at 31 December 2017, versus 3.72 TRY/EUR at 31 December 2016).

<b>Migros</b> (mln YTL)	<b>2017</b>	<b>2016</b>	<b>Change</b>
Revenues	<b>15,344</b>	11,059	38.8%
EBITDA	<b>872</b>	677	28.7%
Net financial debt	<b>(2,283)</b>	(1,805)	-478 mln YTL

## Funds

At 31 December 2017, the DeA Capital Group's Private Equity Investment business included investments in:

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

worth a net total of approximately EUR 170.9 million (corresponding to the estimated fair value calculated using the information available on the date this document was prepared) in the Consolidated Financial Statements for the Year Ending 31 December 2017.

Residual commitments for all the funds in the portfolio were approximately EUR 103.3 million.



### INVESTMENT DETAILS:

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

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

### BRIEF DESCRIPTION:

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

According to the latest report available, the IDeA I FoF portfolio was invested in 41 funds with different investment strategies; these funds in turn hold positions, with varying maturities, in 276 companies active in geographical regions with different growth rates.

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

At 31 December 2017, IDeA I FoF had called up 86.1% of its total commitment and had made distributions totalling 84.4% of that commitment.

### REGISTERED OFFICE:

Italy

### SECTOR:

Private equity

### WEBSITE:

[www.deacapitalaf.com](http://www.deacapitalaf.com)

---

*Fund size:*

681.0 million  
Euro

---

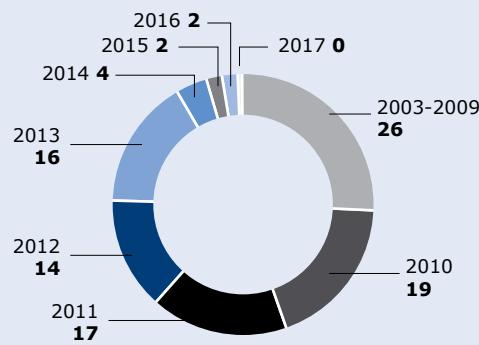
## IDEA I FUND OF FUNDS

### OTHER IMPORTANT INFORMATION:

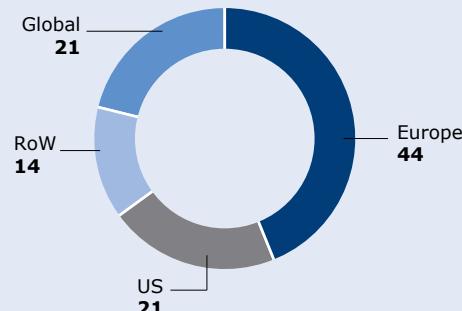
Below is an analysis of the portfolio, at the date of the latest report available, broken down by

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

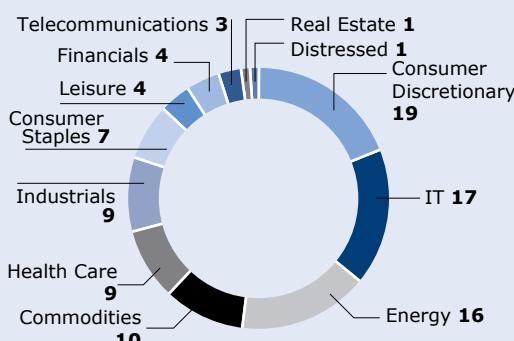
**Breakdown by year of investment<sup>1</sup> (%)**



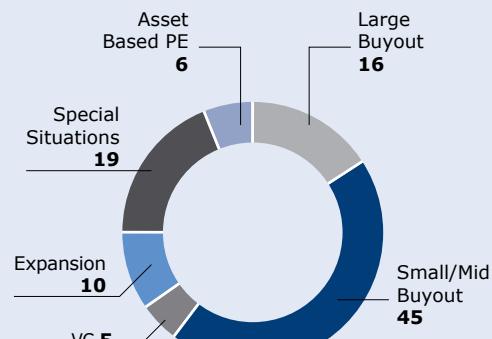
**Breakdown by geographic area<sup>2</sup> (%)**



**Breakdown by sector<sup>1</sup> (%)**



**Breakdown by strategy<sup>2</sup> (%)**



Notes:

1. % of the FMV of the investment;

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

The units in IDeA I FoF were valued at EUR 49.5 million in the Consolidated Financial Statements for the Year Ending 31 December 2017 (EUR 69.0 million at 31 December 2016). The change was due to capital calls of EUR +1.2 million, capital reimbursements

of EUR -17.0 million and a decrease in fair value of EUR -3.7 million.

The table below shows the key figures for IDeA I FoF at 31 December 2017.

IDeA I FoF (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
IDeA I Fund of Funds	Italy	2007	681,050,000	173,500,000	25.48
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>			<b>Eur</b>	<b>24,112,977</b>	


**INVESTMENT DETAILS:**

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

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

**BRIEF DESCRIPTION:**

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

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

Based on the latest report available, the ICF II portfolio was invested in 27 funds with different investment strategies; these funds in turn hold positions, with varying maturities, in around 375 companies active in various geographical areas.

At 31 December 2017, ICF II had called up around 73.1% of its total commitment and had made distributions totalling 50.6% of that commitment.

**REGISTERED OFFICE:**

**Italy**

**SECTOR:**

**Private equity**

**WEBSITE:**

**[www.deacapitalaf.com](http://www.deacapitalaf.com)**

*Fund size:*

**281.0 million  
Euro**

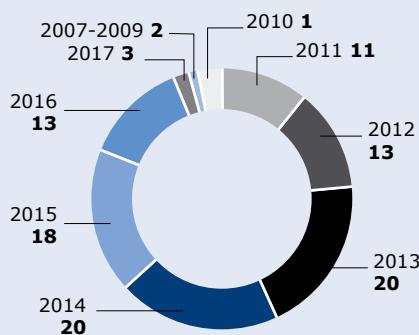
## ICF II

### OTHER IMPORTANT INFORMATION:

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

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

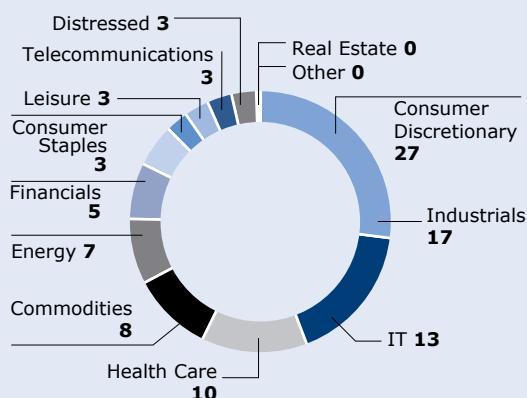
**Breakdown by year of investment<sup>1</sup> (%)**



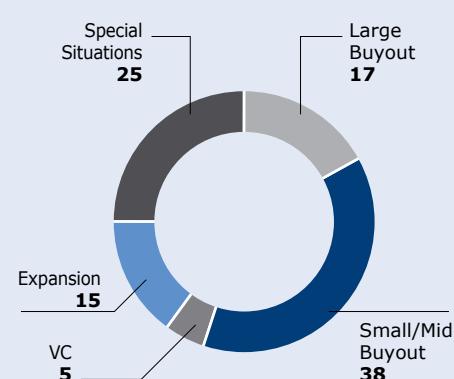
**Breakdown by geographic area<sup>2</sup> (%)**



**Breakdown by sector<sup>1</sup> (%)**



**Breakdown by strategy<sup>2</sup> (%)**



Notes:

1. % of the FMV of the investment;
2. % of fund size based on paid-in exposure (capital invested + residual commitments).

The units in ICF II were valued at approximately EUR 37.9 million in the Consolidated Financial Statements for the Year Ending 31 December 2017 (EUR 47.0 million at 31 December 2016). The change was due to capital calls of EUR +0.7 million, capital

reimbursements of EUR -11.3 million and an increase in fair value of EUR +1.5 million.

The table below shows the key figures for ICF II at 31 December 2017.

ICF II (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
ICF II	Italy	2009	281,000,000	51,000,000	18.15
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>			<b>Eur</b>	<b>13,734,157</b>	



### INVESTMENT DETAILS:

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

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

### BRIEF DESCRIPTION:

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

The units in ICF III were valued at EUR 7.9 million in the Consolidated Financial Statements for the Year Ending 31 December 2017 (EUR 6.9 million at 31 December 2016). The increase was due to capital calls of EUR +1.2 million and a decrease in fair value of EUR -0.2 million.

The table below shows the key figures for ICF III at 31 December 2017.

ICF III (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
ICF III	Italy	2014	66,950,000	12,500,000	18.67
of which:					
Segment Core			34,600,000	1,000,000	2.89
Segment Credit & Distressed			17,300,000	4,000,000	23.12
Segment Emerging Markets			15,050,000	7,500,000	49.83
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>			<b>Eur</b>	<b>5,340,534</b>	

The fund is divided into three sub-funds:

- **Core**, with a focus on buy-outs, expansion capital and special situations;
- **Credit & Distressed**, which invests in special credit operations (preferred equity, mezzanine, senior loans), turnarounds and other credit strategies;
- **Emerging Markets**, which focuses on expansion capital, buy-outs, distressed assets and venture capital operations in emerging markets.

At 31 December 2017, ICF III had called up 54.5%, 62.6% and 54.8% in the Core, Credit & Distressed and Emerging Markets segments respectively.

### REGISTERED OFFICE:

Italy

### SECTOR:

Private equity

### WEBSITE:

[www.deacapitalaf.com](http://www.deacapitalaf.com)

*Fund size:*

**67.0 million  
Euro**

## IDEA OPPORTUNITY FUND I



**REGISTERED OFFICE:**  
Italy

**SECTOR:**  
Private equity

**WEBSITE:**  
[www.deacapitalaf.com](http://www.deacapitalaf.com)

*Fund size:*  
216.6 million  
Euro

### INVESTMENT DETAILS:

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

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

### BRIEF DESCRIPTION:

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

At 31 December 2017, IDeA OF I had called up 85.8% of the total commitment and distributed 49.4% of that commitment, after making nine investments (of which six were still in the portfolio at that date).

### Significant events during the year

In 2017, IDeA OF I received EUR 14.3 million from the liquidation of the Lauro Cinquantasette vehicle, holder of the interest in **AMRI**, which was sold via a takeover bid launched by the Carlyle and GTCR funds and completed in August 2017. Note that the shares held in AMRI came from the sale to the company of the stake previously held in **Euticals**. The total consideration for Euticals/ AMRI received by the IDeA OF I fund was EUR 20.3 million, taking account of the proceeds already received in 2016 from the sale of Euticals. This equates to a return on investment of 1.7 times.

Meanwhile, in 2017, the fund received a total of EUR 24.6 million for the investment in **Manutencoop**, of which EUR 18.9 million related to the sale of the stake held in the company and EUR 4.5 million as reimbursement on an existing loan of EUR 1.2 million with the company in the form of a dividend. At the same time, Manutencoop issued a new vendor note of EUR 3.8 million in favour of the fund.

The units held in IDeA OF I were reported in the Consolidated Financial Statements for the Year Ending 31 December 2017 at a net value of EUR 25.4 million, versus EUR 44.2 million at

31 December 2016. The decrease is attributable to a combination of capital calls of EUR +0.9 million,

capital distributions of EUR -18.3 million, a pro rata net loss for the period of EUR -0.3 million and a EUR -1.1 million decrease in fair value.

The table below shows a breakdown of the fund's NAV at 31 December 2017.

(EUR million)	Industry	% share	Investment date	100%	DeA Capital
<b>Portfolio investments</b>					
Giochi Preziosi	Games	4.8%	October 8, 2008	5.2	2.4
Iacobucci HF Electronics	Aircraft furnishing and coffee machines	34.9%	September 11, 2012	6.0	2.8
Pegaso Transportation Investments (Talgo)	Rail market	2.5%	October 8, 2012	14.1	6.6
2IL Orthopaedics LTD (Corin)	Orthopedic implants	29.3%	October 31, 2012	14.8	7.0
Elemaster	Electronic boards with high technological content	10.0%	February 27, 2013	8.5	4.0
<b>Total portfolio investments</b>				<b>48.6</b>	<b>22.8</b>
Other long term receivables				5.5	2.6
Cash and cash equivalents				0.1	0.0
<b>Total Net Equity</b>				<b>54.2</b>	<b>25.4</b>

The table below shows the key figures for IDeA OF I at 31 December 2017.

IDeA OF I (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
IDeA Opportunity Fund I	Italy	2008	216,550,000	101,750,000	46.99
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>				<b>Eur</b>	<b>14,463,277</b>

## IDEA ENERGY EFFICIENCY AND SUSTAINABLE DEVELOPMENT



**REGISTERED OFFICE:**  
Italy

**SECTOR:**  
Private equity

**WEBSITE:**  
[www.deacapitalaf.com](http://www.deacapitalaf.com)

*Fund size:*  
100.0 million  
Euro

### INVESTMENT DETAILS:

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

The DeA Capital Group has a total commitment of up to EUR 30.4 million in the fund.

### BRIEF DESCRIPTION:

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

The fund is dedicated to investing in small and medium-sized manufacturing and service companies operating in the field of energy saving and the efficient use of natural resources. It focuses on the development of solutions that make faster and cheaper use of renewable energy sources without compromising effectiveness in reducing CO<sub>2</sub> emissions.

At 31 December 2017, IDeA EESS had called up 78.2% of the total commitment and distributed 47.3% of that commitment, after making nine investments (of which seven were still in the portfolio at that date).

### Significant events during the year

In 2017, the fund completed the sale of 2,778,000 shares of its subsidiary **SMRE**, generating proceeds, net of transaction costs, of EUR 14.4 million. Following these sales, which were completed at a total implied multiple of 7.7 times, the fund held a stake of 11.1% in SMRE.

In December 2017, IDeA EESS collected proceeds of EUR 2.8 million from the sale of the second tranche of **Meta System** by investment vehicle Meta Fin (for a price of EUR 6.4 million, of which EUR 3.6 million is due to be paid in 2018). Taking into account the proceeds already received from the sale of the first tranche (60% of Meta System) in 2015, the IDeA EESS fund has sold the investment for a total of EUR 17.9 million. This equates to a return on investment of 1.4 times.

The units held in IDeA EESS were reported in the Consolidated Financial Statements for the Year Ending 31 December 2017 at approximately EUR 16.5 million, a decrease on the figure at 31 December 2016 (EUR 16.9 million). This was due to pro-rata net profit of EUR +3.1 million (which reflects the capital gain on the sales of the listed asset SMRE and the marking to market of the stock price), capital calls of EUR +0.6 million and distributions of EUR -4.1 million.

The table below shows a breakdown of the fund's NAV at 31 December 2017.

(EUR million)	Industry	% share	Investment date	100%	DeA Capital
<b>Portfolio investments</b>					
Elemaster	Electronic boards	10.0%	February 27, 2013	8.5	2.6
SMRE	Industrial machinery for electric mobility and textile sector	11.1%	April 23, 2013	12.6	3.8
Zephyro	Energy services for complex structures	8.0%	December 11, 2013	6.2	1.9
Meta Fin	Electronics components for safety systems	21.5%	February 13, 2014	3.6	1.1
Baglioni	Design / production of compressed air tanks	41.2%	February 5, 2015	7.5	2.3
Tecnomeccanica	Lighting components for the automotive sector	93.6%	October 27, 2016	4.6	1.4
Stalam	Radiofrequency equipment for textile and food sector	90.4%	November 30, 2016	4.6	1.4
<b>Total portfolio investments</b>				<b>47.6</b>	<b>14.5</b>
Other assets (liabilities)				(0.1)	0.0
Cash and cash equivalents				6.7	2.0
<b>Total Net Equity</b>				<b>54.2</b>	<b>16.5</b>

The table below shows the key figures for IDeA EESS at 31 December 2017.

IDeA EESS (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
IDeA Efficienza Energetica e Sviluppo Sostenibile	Italy	2011	100,000,000	30,400,000	30.40
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>	<b>Euro</b>		<b>6,616,505</b>		

## IDEA TASTE OF ITALY (TOI)



**REGISTERED OFFICE:**  
Italy

**SECTOR:**  
Private equity

**WEBSITE:**  
[www.deacapitalaf.com](http://www.deacapitalaf.com)

*Fund size:*  
218.1 million  
Euro

### INVESTMENT DETAILS:

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

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

### BRIEF DESCRIPTION:

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

At 31 December 2017, IDeA ToI had called up 46.6% of its total commitment from subscribers, after making five investments.

### Significant events during the year

On 9 January 2017, the fund invested EUR 19.8 million in a 33% stake in Acque Minerali, a manufacturer of **Lurisia**-branded mineral water and drinks.

On 30 March 2017, the fund invested EUR 17.5 million for a 35% stake in **CDS** Lavorazione Materie Plastiche, Italy's leading independent manufacturer of plastic bottle caps.

On 22 December 2017, IDeA ToI signed binding agreements to purchase 22.5% of **Botter**, an Italian wine operator, for a planned investment of EUR 30 million, via (i) an EUR 10 million capital increase, completed in 2017 (for a 7.5% share of the company's capital), and (ii) the purchase of shares from the current shareholders for the remaining EUR 20 million (of which EUR 12 million has already been paid as an advance payment).

Also in December 2017, IDeA ToI signed binding agreements with Permira to sell it 100% of the capital of the **La Piadineria** Group. The sale was completed in February 2018. The transaction involved a net pro-rata payment for the fund of over EUR 100 million, equating to a return on investment of 9.9 times. As provided for in the agreements with Permira, on 19 February 2018, IDeA ToI reinvested EUR 20 million in the La Piadineria Group in exchange for an interest of 8.82%.

The units in IDeA ToI were valued at EUR 20.7 million in the Consolidated Financial Statements for the Year Ending 31 December 2017 (EUR 5.2 million at 31 December 2016). The changes during the period were due to capital calls of EUR +5.3 million and a EUR 10.2 million increase in fair value of the investment held in the La Piadineria Group.

The table below shows the key figures for IDeA ToI at 31 December 2017.

IDeA ToI (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
IDeA Taste of Italy	Italy	2014	218,100,000	25,200,000	11.55
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>			<b>Eur</b>	<b>13,453,903</b>	

## IDEA CORPORATE CREDIT RECOVERY I (IDEA CCR I) [follows >>](#)



### INVESTMENT DETAILS:

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

At 31 December 2017, the DeA Capital Group's total commitment in the IDeA CCR I fund was EUR 7.6 million.

### BRIEF DESCRIPTION:

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

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

The fund is divided into two sub-funds:

- **Crediti sub-fund**, which has acquired loans and financial equity instruments relating to the Target Companies from eight banks for a consideration of approximately EUR 179.1 million, in exchange for the allocation of units of the Crediti sub-fund;
- **Nuova Finanza sub-fund**, which has obtained commitments for new finance currently totalling up to around EUR 42.8 million, which could be used for the Target Companies.

The fund had a total commitment of EUR 221.8 million at 31 December 2017. This value reflects the resolution taken in 2017 to reduce the commitment of the Nuova Finanza sub-fund by EUR 42.5 million, in view of the good performance of the portfolio companies and the resulting lower requirements for the injection of "new finance" to relaunch said companies.

By its very nature, as it was created by means of contributions, the Crediti sub-fund is fully invested, while the Nuova Finanza sub-fund had called up 25.6% of the total commitment at 31 December 2017.

### REGISTERED OFFICE:

Italy

### SECTOR:

Private equity

### WEBSITE:

[www.deacapitalaf.com](http://www.deacapitalaf.com)

*Fund size:*

**221.8 million  
Euro**

## IDEA CORPORATE CREDIT RECOVERY I (IDEA CCR I)

### Significant events:

In July 2017, the Crediti sub-fund of IDeA CCR I completed the sale of the loans held in respect of **Dynamic Technologies** (automotive components) for EUR 14.6 million, which is a recovery rate of 109% of the contribution value.

In November 2017, the Crediti sub-fund of IDeA CCR I completed the sale of the loans held in respect of **Tecnica Group** (sportswear and accessories) for EUR 28.1 million, which is a recovery rate of about 94% of the contribution value.

Lastly, in December 2017, the sale of the investment in **Targetti** (architectural

lighting) was completed for a total of EUR 18.6 million; this generated a recovery rate for the Crediti sub-fund of approximately 103% of the transfer and an IRR of 17.3% for the Nuova Finanza sub-fund.

The units in IDeA CCR I were valued at approximately EUR 1.6 million in the Consolidated Financial Statements for the Year Ending 31 December 2017 (EUR 0.1 million at 31 December 2016). The changes during the period were mainly due to capital calls of EUR +1.8 million and distributions of -0.2 million.

The table below shows the key figures for the IDeA CCR I fund at 31 December 2017.

IDeA CCR I (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
IDeA CCR I	Italy	2016	221,821,595	7,650,000	3.45
of which:					
Nuova Finanza sub-fund			42,750,000	7,575,000	17.72
Crediti sub-fund			179,071,595	75,000	0.04
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>			<b>Eur</b>	<b>5,591,115</b>	

## IDEA CORPORATE CREDIT RECOVERY II (IDEA CCR II)



### INVESTMENT DETAILS:

IDeA CCR II is a closed-end fund under Italian law, for qualified investors, which began operating on 28 December 2017 and is managed by DeA Capital Alternative Funds SGR.

The DeA Capital Group has a total commitment of EUR 15.15 million in the fund.

### BRIEF DESCRIPTION:

IDeA CCR II, which had total assets of EUR 296.2 million at 31 December 2017 (increased to EUR 301.2 million in February 2018), is a closed-end mutual fund under Italian law, for qualified investors, which aims to help relaunch medium-sized Italian companies that are facing financial difficulties but have solid business fundamentals (Target Companies), sharing the benefits between the creditors and new investors, following a similar approach to that of the IDeA CCR I described earlier.

The fund is divided into two sub-funds:

- **Crediti sub-fund**, which has acquired loans relating to the Target Companies from several major Italian banks for a consideration of approximately EUR 231.2 million in exchange for the granting of units in the Crediti sub-fund;
- **Nuova Finanza sub-fund**, which obtained commitments for new finance of up to around EUR 65 million at 31 December 2017 (increased to EUR 69.7 million in January 2018), potentially to be used for the Target Companies or companies with similar characteristics.

Although technically operational as early as December 2017 via the Crediti sub-fund, IDeA CCR II started to call up the cash portion of the commitment from subscribers in January 2018.

The table below shows the key figures for the IDeA CCR II fund at 31 December 2017.

IDeA CCR II (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
IDeA CCR II	Italy	2017	296,213,044	15,150,000	5.11
of which:					
Nuova Finanza sub-fund			64,750,000	15,075,000	23.28
Crediti sub-fund			231,463,044	75,000	0.03
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>		<b>Eur</b>		<b>15,150,000</b>	

### REGISTERED OFFICE:

Italy

### SECTOR:

Private equity

### WEBSITE:

[www.deacapitalaf.com](http://www.deacapitalaf.com)

*Fund size:*

**296.2 million  
Euro**

## VENTURE CAPITAL FUNDS

### Venture capital funds

The units in venture capital funds were valued in the Financial Statements for the Year Ending 31 December 2017 at approximately EUR 8.6 million (compared with EUR 9.5 million at 31 December 2016).

The table below shows the key figures for venture capital funds in the portfolio at 31 December 2017.

Venture Capital Funds Dollars (USD)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in fund
Doughty Hanson & Co Technology	UK EU	2004	271,534,000	1,925,000	0.71
GIZA GE Venture Fund III	Delaware U.S.A.	2003	211,680,000	10,000,000	4.72
Israel Seed IV	Cayman Islands	2003	200,000,000	5,000,000	2.50
Pitango Venture Capital III	Delaware U.S.A.	2003	417,172,000	5,000,000	1.20
<b>Total Dollars</b>			<b>21,925,000</b>		
<hr/>					
<b>Eur (€)</b>					
Nexit Infocom 2000	Guernsey	2000	66,325,790	3,819,167	5.76
<hr/>					
<b>Sterlings (GBP)</b>					
Amadeus Capital II	UK EU	2000	235,000,000	13,500,000	5.74
<hr/>					
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>			<b>Euro</b>		<b>4,199,756</b>

## Alternative Asset Management

At 31 December 2017, DeA Capital S.p.A. was the owner of:

- 100% of **DeA Capital Alternative Funds SGR**;
- 64.3% of **DeA Capital Real Estate SGR**;
- 80.0% of **SPC** (which operates in debt recovery);
- 45.0% of **IRE** (which operates in project, property and facility management, and real estate brokerage).

## DeA Capital Alternative Funds SGR

**DEA CAPITAL ALTERNATIVE FUNDS SGR** follows >>



### INVESTMENT DETAILS:

DeA Capital Alternative Funds SGR operates in the management of private equity funds (funds of funds, co-investment funds and theme funds). At 31 December 2017, the asset management company managed ten closed-end private equity funds, including four funds of funds (IDeA I FoF, ICF II, ICF III and IDeA Crescita Globale, which serves the retail segment), a "direct" co-investment fund (IDeA OF I), four theme funds (IDeA EESS, which operates in energy efficiency, IDeA ToI, in the agricultural foods sector, IDeA CCR I and IDeA CCR II (debtor-in-possession financing funds) and, since April 2015, Investitori Associati IV (in liquidation).

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

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

- industrial sector;
- investment strategy and stage (buy-outs, venture capital, special situations, etc.);
- geographical area (Europe, USA and the Rest of the World);
- maturity (commitments with investment periods diluted over time).

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

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

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

The objective of the **IDeA CCR I** and **IDeA CCR II** funds is to relaunch medium-sized Italian companies that are in financial difficulties but have solid business fundamentals.

**REGISTERED OFFICE:**  
Italy

**SECTOR:**  
Alternative Asset  
Management - Private Equity

**WEBSITE:**  
[www.deacapitalaf.com](http://www.deacapitalaf.com)

*Assets under  
management:*  
2.2 bln Euro

## DEA CAPITAL ALTERNATIVE FUNDS SGR

The table below summarises the value of assets under management and management fees for DeA Capital Alternative Funds SGR at 31 December 2017.

(EUR million)	Assets Under Management at 31 December 2017	Management fees at 31 December 2017
<b>DeA Capital Alternative Funds SGR</b>		
IDeA I FoF	681	3.1
IDeA OF I	216	1.9
ICF II	281	1.6
IDeA EESS	100	1.2
IDeA Crescita Globale	55	1.4
ICF III	67	0.5
IDeA Taste of Italy	218	4.4
Investitori Associati IV	54	0.6
IDeA CCR I	222	2.4
IDeA CCR II	296	1.3
<b>Total DeA Capital Alternative Funds SGR</b>	<b>2,190</b>	<b>18.4</b>

With regard to operating performance, in 2017 the Company posted a year-on-year increase of over EUR 250 million in assets under management; the increase is due to the closing of the IDeA CCR II fund (EUR 296 million) and the reduced commitment of the Nuova Finanza

sub-fund of the IDeA CCR I fund (as described above). In terms of economic performance, a comparison with the year-earlier figure is affected by the recording in 2016 of one-off receipts to realign the management fees earned on additional closings of IDeA ToI, totalling EUR 2.1 million.

DeA Capital Alternative Funds SGR (EUR million)	2017	2016
AUM	2,190	1,937
Management fees	18.4	20.7
EBITDA	4.9	6.2
Net profit	3.1	3.8



### INVESTMENT DETAILS:

DeA Capital Real Estate SGR is the largest independent real estate asset management company in Italy, with around EUR 9.5 billion in assets under management and 43 managed funds (including four listed funds). This makes it a benchmark operator for Italian and international institutional investors in the promotion, creation and management of mutual real estate investment funds.

DeA Capital Real Estate SGR undertakes three main lines of business:

- the development of mutual real estate investment funds designed for institutional clients and private investors;
- the promotion of innovative real estate financial instruments;
- the professional management (technical, administrative and financial) of real estate funds.

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

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

The table below summarises the value of assets under management and management fees for DeA Capital Real Estate SGR at 31 December 2017:

(EUR million)	Assets Under Management at 31 December 2017	Management fees at 31 December 2017
<b>Breakdown of funds</b>		
Atlantic 1	516	1,8
Atlantic 2 - Berenice	86	0,6
Alpha	323	4,1
Beta	32	0,3
Delta	0	2,4
<b>Listed funds</b>	<b>957</b>	<b>9,2</b>
<b>Reserved funds</b>	<b>8,585</b>	<b>32,2</b>
<b>Total DeA Capital Real Estate SGR</b>	<b>9,542</b>	<b>41,4</b>

### REGISTERED OFFICE:

Italy

### SECTOR:

Alternative Asset Management - Real Estate

### WEBSITE:

[www.deacapitalre.com](http://www.deacapitalre.com)

*Assets under management:*

9,5 mld Euro

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

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

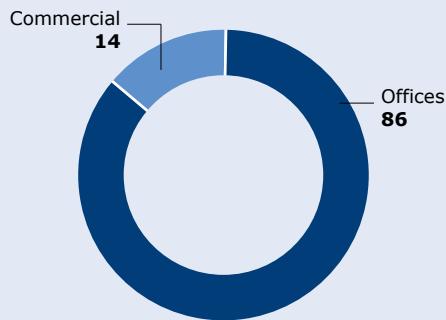
<b>Atlantic 1</b>		<b>31.12.2017</b>
Market value of properties	493,440,000	
Historical cost and capitalised charges	536,666,320	
Financing	247,764,121	
Net Asset Value (NAV)	256,748,243	
NAV/unit (EUR)	492.3	
Market price/unit (EUR)	280.5	
Dividend yield from investment*	4,79%	

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

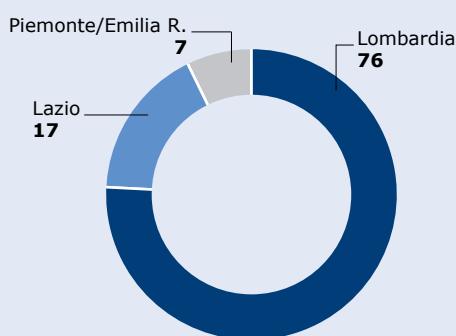
<b>Atlantic 2 - Berenice</b>		<b>31.12.2017</b>
Market value of properties	74,080,000	
Historical cost and capitalised charges	120,332,788	
Financing	22,619,700	
Net Asset Value (NAV)	56,396,055	
NAV/unit (EUR)	94.0	
Market price/unit (EUR)	71	
Dividend yield from investment*	8.20%	

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

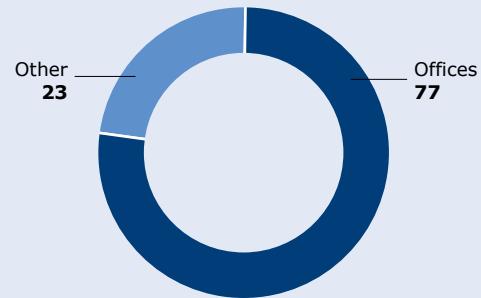
**Atlantic 1:**  
**Diversification by intended use (%)**



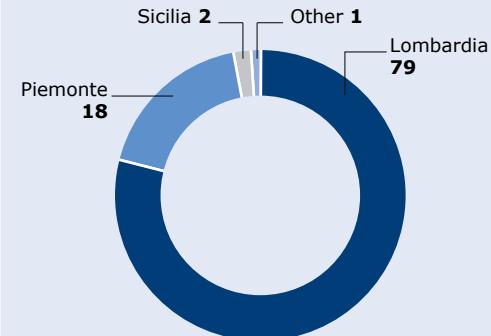
**Atlantic 1:**  
**Diversification by geographical area (%)**



**Atlantic 2:**  
**Diversification by intended use (%)**



**Atlantic 2:**  
**Diversification by geographical area (%)**



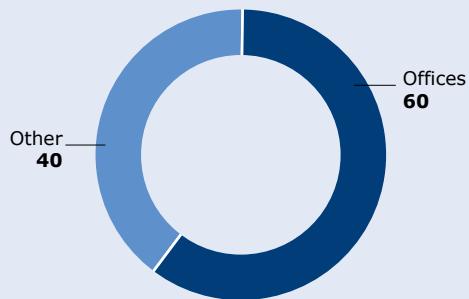
<b>Alpha</b>	<b>31.12.2017</b>
Market value of properties	285,650,000
Historical cost and capitalised charges	309,660,943
Financing	1,606,742
Net Asset Value (NAV)	306,518,814
NAV/unit (EUR)	2,950.8
Market price/unit (EUR)	1,369
Dividend yield from investment*	4.51%

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

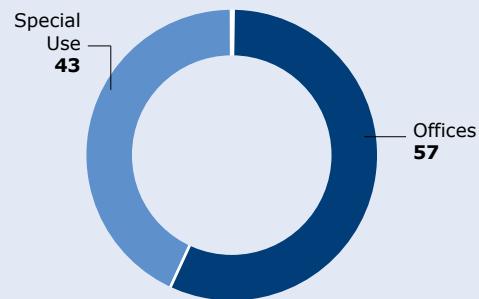
<b>Beta</b>	<b>31.12.2017</b>
Market value of properties	23,680,000
Historical cost and capitalised charges	55,891,388
Net Asset Value (NAV)	9,996,686
NAV/unit (EUR)	37.235
Market price/unit (EUR)	49.4
Dividend yield from investment*	7.69%

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

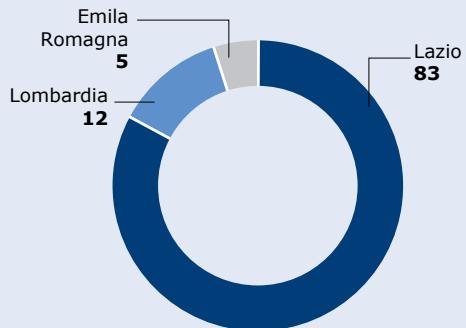
**Alpha:**  
**Diversification by intended use (%)**



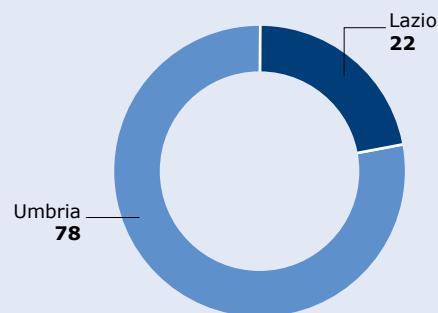
**Beta:**  
**Diversification by intended use (%)**



**Alpha:**  
**Diversification by geographical area (%)**



**Beta:**  
**Diversification by geographical area (%)**



With regard to operating performance, in 2017 the Company confirmed the growth trend in assets and also returned to growth in revenues, with the launch of six new funds (including the "Broggi" fund) and the second phase of the "Trophy Value Added" fund, with total receipts of EUR 1.3 million.

The 2017 net loss of DeA Capital Real Estate SGR was negatively affected by (i) the partial impairment of goodwill (EUR -34.2 million) decided by the company in light of the current/future trend in income from assets under management and (ii) the partial impairment of assets related to financial

equity instruments (with an impact on the Income Statement of EUR -7.0 million, compared with EUR -4.2 million in 2016).

Net profit attributable to shareholders, excluding the impairment of goodwill described above, was much higher than in the previous year (EUR +9.2 million compared with EUR +5.4 million in 2016). This was mainly due to the combined effect of a reduction in amortisation of the purchase price allocation (EUR 1.3 million in 2017 compared to EUR 2.4 million in 2016) and the capital gain recorded in 2017 for the liquidation of the Delta fund (EUR 1.7 million).

<b>DeA Capital Real Estate SGR (EUR million)</b>	<b>2017</b>	<b>2016</b>
AUM	9,542	8,672
Management fees	41.4	40.3
EBITDA	15.5	15.6
Net profit	(32.0)	1.2
<i>- of which:</i>		
<i>  - Shareholders</i>	(25.0)	5.4
<i>  - Owners of financial equity instruments</i>	(7.0)	(4.2)



### INVESTMENT DETAILS:

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

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

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

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

- banking (current accounts, mortgages, personal loans);
- leasing (terminated or active agreements);
- consumer (consumer credit, salary-backed loans, credit cards);
- commercial (outstanding invoices);

with a focus on secured loans.

In 2017, SPC launched a reorganisation of operating procedures under the leadership of a new management team, which led, *inter alia*, to a more prudent valuation of prospective income flows. This had a one-off effect of EUR -2.9 million (of which EUR -2.4 million related to goodwill impairment) on the Group's Income Statement, which should be added to the pro-rata portion of the net result for the period (Group's portion: EUR -0.4 million).

### REGISTERED OFFICE:

**Italy**

### SECTOR:

**Debt recovery**

### WEBSITE:

**[www.spc-spa.com](http://www.spc-spa.com)**

### SPC (EUR million)

**2017**

AUM

355

Revenues

1.0

Net profit

(0.4)

Specialized  
in debt recovery

## INNOVATION REAL ESTATE



**INNOVATION**  
real estate

**REGISTERED OFFICE:**

**Italy**

**SECTOR:**

**Property Services**

**WEBSITE:**

[www.innovationre.it](http://www.innovationre.it)

Specialized  
in real estate  
services

**INVESTMENT DETAILS:**

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

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

On 24 July 2017, IRE completed the acquisition of Yard, a full-service provider operating in the real estate sector, which has a customer/services mix that is complementary to that of IRE. The transaction, which does not involve any share exchanges, will take the form of a merger by incorporation of Yard into IRE and is expected to complete by 2018.

The investment in IRE (45%), which is classified under "Investments in associates", was recorded at EUR 5.6 million in the Consolidated Financial Statements for the Year Ending 31 December 2017.

With regard to operating performance, in 2017, the Company recorded revenues for real estate services of EUR 13.6 million, a fall of EUR -0.5 million on the same period in 2016 (of which approximately EUR -1.2 million was due to one-off receipts reflected in the 2016 figure).

<b>Innovation Real Estate (EUR million)</b>	<b>2017</b>	<b>2016</b>
Revenues from real estate services	13,6	14,1
EBITDA	2,9	3,6
Net profit	2,5	2,7

## Consolidated Income Statement

In 2017, the consolidated net loss was approximately EUR -25.6 million (of which EUR -11.7 million related to the Group), compared with a profit of around EUR 12.5 million (of which EUR 12.4 million related to the Group) in the same period in 2016.

Revenues and other income break down as follows:

- alternative Asset Management fees of EUR 57.9 million (EUR 59.1 million in 2016);
- income from investments valued at equity of EUR 3.9 million, linked to the performance of the EESS fund;
- other investment income, net of charges, totalling EUR 8.6 million (EUR 12.3 million in 2016), mainly associated with the sale of Migros shares by Kenan Investments and the performance of investments of the OF I fund;
- service revenues of EUR 2.2 million (EUR 8.5 million recorded in 2016), which were lower due to the deconsolidation of IRE from June 2016.

In 2017, operating costs totalled EUR 98.6 million, compared with EUR 66.9 million in 2016.

The costs break down into EUR 91.1 million relating to Alternative Asset Management, EUR 2.3 million to Private Equity Investment and EUR 5.2 million to holding company activities. Alternative Asset Management costs include the adjustment to the goodwill for DeA Capital Real Estate allocated at the time of the merger between FARE SGR and FIMIT SGR (EUR -34.2 million) and the effects of

amortisation/depreciation and impairment of assets, recorded when a portion of the purchase price of the investment in DeA Capital Real Estate SGR was allocated.

Net financial expenses totalled EUR -0.1 million in 2017 (compared with expenses of EUR -1.2 million in 2016).

The full tax impact for 2017 (EUR -0.4 million, compared with EUR -0.2 million in 2016) is the result of taxes of EUR -3.0 million (EUR -3.4 million in 2016) due in respect of Alternative Asset Management activities, offset by tax credits of EUR +2.6 million (EUR +3.2 million in 2016) relating to holding company structures.

The profit made on assets held for sale/sold relates to the completion of the sale of interests in Sigla and SiCollection held by Sigla Luxembourg, totalling EUR +0.7 million (related to the transfer to the Income Statement of reserves recorded in shareholders' equity).

The consolidated net loss of EUR -25.6 million breaks down as follows: EUR +8.3 million attributable to Private Equity Investment, EUR -31.0 million to Alternative Asset Management and EUR -2.9 million to holding company operations/eliminations.

The Group's net loss of EUR -11.7 million comprises: EUR +8.7 million attributable to Private Equity Investment, EUR -17.5 million to Alternative Asset Management and EUR -2.9 million to holding company operations/eliminations.

## Summary Consolidated Income Statement

(EUR thousand)	Financial year 2017	Financial year 2016
Alternative Asset Management fees	57,944	59,114
Income (loss) from equity investments	3,898	524
Other investment income/expense	8,633	12,338
Income from services	2,208	8,509
Other income	144	288
Other expenses (*)	(98,616)	(66,888)
Financial income and expenses	(84)	(1,220)
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>(25,873)</b>	<b>12,665</b>
Income tax	(420)	(199)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>(26,293)</b>	<b>12,466</b>
Profit (Loss) from discontinued operations/held-for-sale assets	682	0
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(25,611)</b>	<b>12,466</b>
- Group share	(11,652)	12,427
- Non controlling interests	(13,959)	39
Earnings per share, basic (€)	(0,045)	0,047
Earnings per share, diluted (€)	(0,045)	0,047

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

## Performance by business in 2017

(EUR thousand)	Private Equity Investment	Alternative Asset Management	Holdings/ Eliminations	Consolidated
Alternative Asset Management fees	0	59,820	(1,876)	57,944
Income (loss) from equity investments	3,076	822	0	3,898
Other investment income/expense	6,957	1,676	0	8,633
Income from services	31	703	1,618	2,352
Other expenses	(2,259)	(91,116)	(5,241)	(98,616)
Financial income and expenses	(160)	13	63	(84)
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>7,645</b>	<b>(28,082)</b>	<b>(5,436)</b>	<b>(25,873)</b>
Income tax	0	(2,991)	2,571	(420)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>7,645</b>	<b>(31,073)</b>	<b>(2,865)</b>	<b>(26,293)</b>
Profit (Loss) from discontinued operations/ held-for-sale assets	682	0	0	682
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>8,327</b>	<b>(31,073)</b>	<b>(2,865)</b>	<b>(25,611)</b>
- Group share	8,711	(17,498)	(2,865)	(11,652)
- Non controlling interests	(384)	(13,575)	0	(13,959)

## Performance by business in 2016

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

## Consolidated Statement of Performance (IAS 1)

Comprehensive Income or the Statement of Performance (IAS 1), in which performance for the period attributable to the Group is reported including results posted directly to shareholders' equity, reflects a net negative balance of approximately EUR -2.7 million compared with a net positive balance of approximately EUR +16.7 million in 2016. This comprised:

- a net loss of EUR -11.7 million recorded on the Income Statement;
- profits posted directly to shareholders' equity totalling EUR +9.0 million (due mainly to the increase in the fair value of IDeA ToI).

(EUR thousand)	Financial year 2017	Financial year 2016
<b>Profit/(loss) for the period (A)</b>	<b>(25,611)</b>	<b>12,466</b>
Comprehensive income/expense which might be subsequently reclassified within the profit (loss) for the period	7,962	5,660
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period	14	27
<b>Other comprehensive income, net of tax (B)</b>	<b>7,976</b>	<b>5,687</b>
<b>Total comprehensive income for the period (A)+(B)</b>	<b>(17,635)</b>	<b>18,153</b>
<b>Total comprehensive income attributable to:</b>		
- Group Share	(2,708)	16,687
- Non Controlling Interests	(14,927)	1,466

## Consolidated statement of financial position

Below is the Group's Statement of Financial Position at 31 December 2017, compared with 31 December 2016.

(EUR thousand)	31.12.2017	31.12.2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible and tangible assets</b>		
Goodwill	93,745	129,399
Intangible assets	23,488	27,184
Property, plant and equipment	1,458	2,145
Total intangible and tangible assets	118,691	158,728
<b>Investments</b>		
Investments valued at equity	29,293	33,449
Investments held by Funds	48,583	84,084
- available for sale investments	13,683	47,845
- invest. in associates and JV valued at FV through P&L	34,900	36,239
Other available-for-sale companies	78,953	67,166
Available-for-sale funds	169,776	182,787
Other available-for-sale financial assets	13	22
Total Investments	326,618	367,508
<b>Other non-current assets</b>		
Deferred tax assets	2,173	1,992
Loans and receivables	684	960
Other non-current assets	5,403	30,147
Total other non-current assets	8,260	33,099
<b>Total Non-current assets</b>	<b>453,569</b>	<b>559,335</b>
<b>Current assets</b>		
Trade receivables	16,069	11,191
Available-for-sale financial assets	4,385	4,242
Financial receivables	578	2,715
Tax receivables from Parent companies	1,055	2,282
Other tax receivables	11,272	9,190
Other receivables	16,886	3,976
Cash and cash equivalents	127,916	96,438
Total current assets	178,161	130,034
<b>Total Current assets</b>	<b>178,161</b>	<b>130,034</b>
<b>Held-for-sale assets</b>		
<b>TOTAL ASSETS</b>	<b>631,730</b>	<b>700,856</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	255,670	261,207
Share premium reserve	234,713	267,640
Legal reserve	61,322	61,322
Fair value reserve	77,009	67,842
Other reserves	(10,536)	(11,661)
Retained earnings (losses)	(117,095)	(129,574)
Profit/(loss) for the year	(11,652)	12,427
<b>Net equity Group</b>	<b>489,431</b>	<b>529,203</b>
<b>Minority interests</b>	<b>95,182</b>	<b>131,844</b>
<b>Shareholders' equity</b>	<b>584,613</b>	<b>661,047</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	8,049	8,588
Provisions for employee termination benefits	4,204	4,016
Long term financial loans	0	19
Payables to staff	81	207
<b>Total non-current liabilities</b>	<b>12,334</b>	<b>12,830</b>
<b>Current liabilities</b>		
Trade payables	6,594	6,019
Payables to staff and social security organisations	8,330	7,033
Current tax	1,998	2,941
Other tax payables	5,564	1,429
Other payables	12,097	8,335
Short term financial loans	200	1,222
<b>Total current liabilities</b>	<b>34,783</b>	<b>26,979</b>
<b>Held-for-sale liabilities</b>		
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>631,730</b>	<b>700,856</b>

At 31 December 2017, Group Consolidated Shareholders' Equity totalled EUR 489.4 million, compared with EUR 529.2 million at 31 December 2016.

The decrease of EUR -39.8 million in Group Shareholders' Equity was mainly due to the extraordinary dividend paid (EUR -31.2 million), the effects of changes in treasury shares (totalling EUR -7.8 million), and the reasons set out in the Statement of Performance (IAS 1) (EUR -2.7 million).

## Consolidated net financial position

At 31 December 2017, the consolidated net financial position was positive at EUR 128.9 million, as shown in the table below, which provides a comparison with 31 December 2016:

Net financial position (EUR million)	31.12.2017	31.12.2016	Change
Cash and cash equivalents	127.9	96.4	31.5
Available-for-sale financial assets	4.4	4.2	0.2
Financial receivables	1.3	3.7	(2.4)
Current financial liabilities	(0.2)	(1.2)	1.0
<b>TOTAL</b>	<b>133.4</b>	<b>103.1</b>	<b>30.3</b>
<b>TOTAL "adjusted"(*)</b>	<b>128.9</b>	<b>103.1</b>	<b>25.8</b>
of which:	0.0	0.0	0.0
- <i>Alternative Asset Management</i>	36.5	23.3	13.2
- <i>Private Equity Investment</i>	0.1	0.1	0.0
- <i>Holdings</i>	92.3	79.7	12.6

(\*) Net of 4.5 million euro in cash and cash equivalents relating to the collection by DeA Capital Alternative Funds of taxes withheld by the SGR as withholding agent.

During 2017, the consolidated net financial position increased by +EUR 25.8 million, while the net financial position of the holding companies rose by EUR 12.6 million; the latter was mainly due to the distribution of the extraordinary dividend by DeA Capital S.p.A. (EUR -31.2 million), changes in treasury shares (EUR -7.8 million) and the net cash generated by the investments portfolio (EUR +53.7 million).

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

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

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

A summary of the Income Statement and the Statement of Financial Position of DeA Capital S.p.A. for the Year Ending 31 December 2017 is shown below.

### Income Statement of the Parent Company

(EUR)	Financial year 2017	Financial year 2016
Other investment income/expense	(34,446,158)	9,268,634
Income from services	3,171,961	1,817,467
Other income	956	37,283
Personnel costs	(8,498,584)	(7,716,902)
Financial income	64,790	13,704
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>(39,707,035)</b>	<b>3,420,186</b>
Income tax	2,759,801	4,153,721
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>(36,947,234)</b>	<b>7,573,907</b>
Profit (Loss) from discontinued operations/held-for-sale assets	346,691	0
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(36,600,543)</b>	<b>7,573,907</b>

The Parent Company reported a net loss of EUR -36.6 million in 2017 (compared with a profit of EUR 7.6 million in 2016), attributable mainly to the effects of adjusting the goodwill

relating to DeA Capital Real Estate SGR, which accordingly involved a value adjustment to the holding in the Parent Company's Annual Financial Statements.

## Statement of Financial Position of the Parent Company

The Parent Company's Statement of Financial Position at 31 December 2017, compared with 31 December 2016, is shown below.

(EUR)	31.12.2017	31.12.2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible and tangible assets</b>		
Intangible assets	2,129	8,917
Tangible assets	210,600	330,072
<i>Total intangible and tangible assets</i>	<b>212,729</b>	<b>338,989</b>
<b>Investments</b>		
Subsidiaries and joint ventures	175,187,744	219,865,219
Associates	18,953,485	20,832,375
Available-for-sale investments	78,898,520	67,129,899
Available-for-sale funds	126,614,722	138,080,795
<i>Total Investments</i>	<b>399,654,471</b>	<b>445,908,288</b>
<b>Other non-current assets</b>		
Deferred tax assets	0	0
Tax receivables from Parent companies	0	19,332
<i>Total other non-current assets</i>	<b>0</b>	<b>19,332</b>
<b>Total non-current assets</b>	<b>399,867,200</b>	<b>446,266,609</b>
<b>Current assets</b>		
Trade receivables	757,535	155,843
Financial receivables	1	2,137,953
Tax receivables from Parent companies	900,043	1,637,446
Other tax receivables	719,662	1,170,774
Other receivables	512,666	506,926
Cash and cash equivalents	90,244,529	68,621,804
<i>Total current assets</i>	<b>93,134,436</b>	<b>74,230,746</b>
<b>Total current assets</b>	<b>93,134,436</b>	<b>74,230,746</b>
<b>Held-for-sale assets</b>		
<b>TOTAL ASSETS</b>	<b>493,001,636</b>	<b>531,984,040</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity</b>	<b>490,574,012</b>	<b>529,670,590</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	0	0
Provisions for employee termination benefits	320,572	344,889
<b>Total non-current liabilities</b>	<b>320,572</b>	<b>344,889</b>
<b>Current liabilities</b>		
Trade payables	1,023,776	913,870
Payables to staff and social security organisations	821,314	686,915
Current tax payables	63,926	63,926
Other tax payables	187,678	263,928
Other payables	10,358	39,922
<b>Total current liabilities</b>	<b>2,107,052</b>	<b>1,968,561</b>
<b>Held-for-sale liabilities</b>		
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>493,001,636</b>	<b>531,984,040</b>

At 31 December 2017, the Parent Company's shareholders' equity totalled about EUR 490.6 million compared with EUR 529.7 million at 31 December 2016, with a decrease of EUR

-39.1 million, due largely to the partial distribution of the share premium reserve (EUR -31.2 million) and to changes in treasury shares (EUR -7.8 million).

*Pursuant to the Consob Communication of 28 July 2006, a reconciliation between shareholders' equity and the loss reported by the Parent Company DeA Capital S.p.A. at 31 December 2017 is shown below, together with the corresponding consolidated figures.*

(EUR thousand)	Net Equity at 31.12.2017	Net Profit (/Loss) 2017	Net Equity at 31.12.2016	Net Profit (/Loss) 2016
<b>EQUITY and net profit/(loss) for the year, as reported in the Parent Company financial statement</b>	<b>490,574</b>	<b>(36,601)</b>	<b>529,671</b>	<b>7,574</b>
<i>Elimination of book values from consolidated shareholdings:</i>				
- Surplus of net equity reported in financial statements compared to book values of shareholdings in consolidated companies	(1,143)	0	(468)	0
- Pro-rata results achieved by shareholdings	0	(14,599)	0	17,508
- Elimination of dividends received by shareholdings	0	(3,712)	0	(9,917)
- Pro-rata results achieved by associated companies, valued as Shareholders' Equity	0	3,373	0	571
- Elimination of revaluation / impairment of investments in DeA Capital S.p.A.	0	39,271	0	6,914
- Elimination of dividend received from DeA Capital S.p.A.	0	(12,152)	0	(10,223)
- Elimination of results from disposal of investments in DeA Capital S.p.A.	0	12,768	0	0
<b>EQUITY and Group share of net profit/(loss)</b>	<b>489,431</b>	<b>(11,652)</b>	<b>529,203</b>	<b>12,427</b>
EQUITY and minority interests share of net profit/(loss)	95,182	(13,959)	131,844	39
<b>EQUITY and net profit for the year, as reported in the consolidated financial statements</b>	<b>584,613</b>	<b>(25,611)</b>	<b>661,047</b>	<b>12,466</b>

## 7. Other information

### Treasury shares and Parent Company shares

On 20 April 2017, as already described in the "Significant events during the year" section, the Shareholders' Meeting of DeA Capital S.p.A. authorised the Board of Directors to buy and sell, on one or more occasions and on a revolving basis, a maximum number of treasury shares representing a stake of up to 20% of the share capital.

The new plan replaces the previous plan approved by the Shareholders' Meeting on 21 April 2016 (which was scheduled to expire with the approval of the 2016 Annual Financial Statements), and will pursue the same objectives, including purchasing treasury shares to be used for extraordinary transactions and share incentive schemes, offering shareholders a means of monetising their investment, stabilising the share price and regulating trading within the limits of current legislation.

The authorisation specifies that purchases may be made up to the date of the Shareholders' Meeting to approve the Financial Statements for the Year Ending 31 December 2017, and, in any event, not beyond the maximum period of 18 months allowed by law, and that DeA Capital S.p.A. may also sell the shares purchased for trading purposes, without time limits. The unit price for the purchase of the shares will be set on a case-by-case basis by the Board of Directors, but must not be more than 20% above or below the share's reference price on the trading day prior to each purchase.

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

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

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

In 2017, DeA Capital S.p.A. purchased 6,018,045 shares for a price of about EUR 8 million.

Taking into account purchases made in previous years for plans in place at any given time, and the use of treasury shares to service purchases of controlling interests in FARE Holding and IDEA Alternative Investments and to service incentive plans, at 31 December 2017, the Company owned 50,942,428 treasury shares (equal to about 16.6% of share capital).

As of the date of this document, based on purchases of 1,698,195 shares made after the end of 2017, the Company had a total of 52,640,623 treasury shares corresponding to about 17.2% of the share capital.

During 2017, the Company did not hold, purchase or sell, on its own account or through a trust company, any shares in the Parent Company De Agostini S.p.A.

### Transactions with parent companies, subsidiaries and related parties

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

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

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

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

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

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

- 2) DeA Capital S.p.A., DeA Capital Partecipazioni and DeA Capital Alternative Funds SGR have adopted the national tax consolidation scheme of the De Agostini Group (the Group headed by De Agostini S.p.A., formerly B&D Holding di Marco Drago e C. S.a.p.A.). This option was exercised jointly by each company and De Agostini S.p.A. through the signing of the "Regulation for participation in the national tax consolidation scheme for companies in the De Agostini Group" and notifying the tax authorities of this option pursuant to the procedures and terms and conditions laid down by law. The option is irrevocable unless the requirements for applying the scheme are not met. The option for DeA Capital S.p.A. is irrevocable for the three-year period 2017-2019, while for DeA Capital Partecipazioni, the option is irrevocable for the three-year period 2016-2018. For DeA Capital Alternative Funds SGR, the option is irrevocable for the three-year period 2015-2017.

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

Deposit/financing operations falling within this Framework Agreement can only be carried out subject to verification that the terms and conditions, as determined from time to time, are advantageous, and will be provided on a

revolving basis, and with maturities of not more than three months. The Framework Agreement has a duration of one year and will automatically renew each year.

The amounts involved in the deposit/financing operations will, however, always be below the thresholds for transactions defined as "non-material" pursuant to Consob Regulation 17221/2010 (Transactions with Related Parties) and the internal procedure on Transactions with Related Parties adopted by DeA Capital S.p.A.

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

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

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

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

## **Management and coordination activities**

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

## Research and development activities

Pursuant to art. 2428, para. 3 of the Italian Civil Code, the Company did not carry out any research and development activities in 2017.

## Atypical or unusual transactions

Pursuant to Consob Communication 6064293 of 28 July 2006, in 2017 neither the Company nor the Group carried out any atypical or unusual transactions or significant transactions that were not a part of its ordinary operations.

## Significant non-recurring events and transactions

In 2017, the DeA Capital Group did not undertake any significant non-recurring transactions as defined by the above-mentioned Consob Communication; the indirect sale of the stakes in Migros, and the interests in Sigla and SiCollection is considered to be part of ordinary operations.

## Corporate governance

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

### Issuer profile

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

### Extent of application of the Code of Conduct

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

## Corporate bodies

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

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

In 2017, the Board of Directors met five times. For 2018, the calendar of scheduled meetings has been published in both Italian and English (also available on the website [www.deacapital.com](http://www.deacapital.com)).

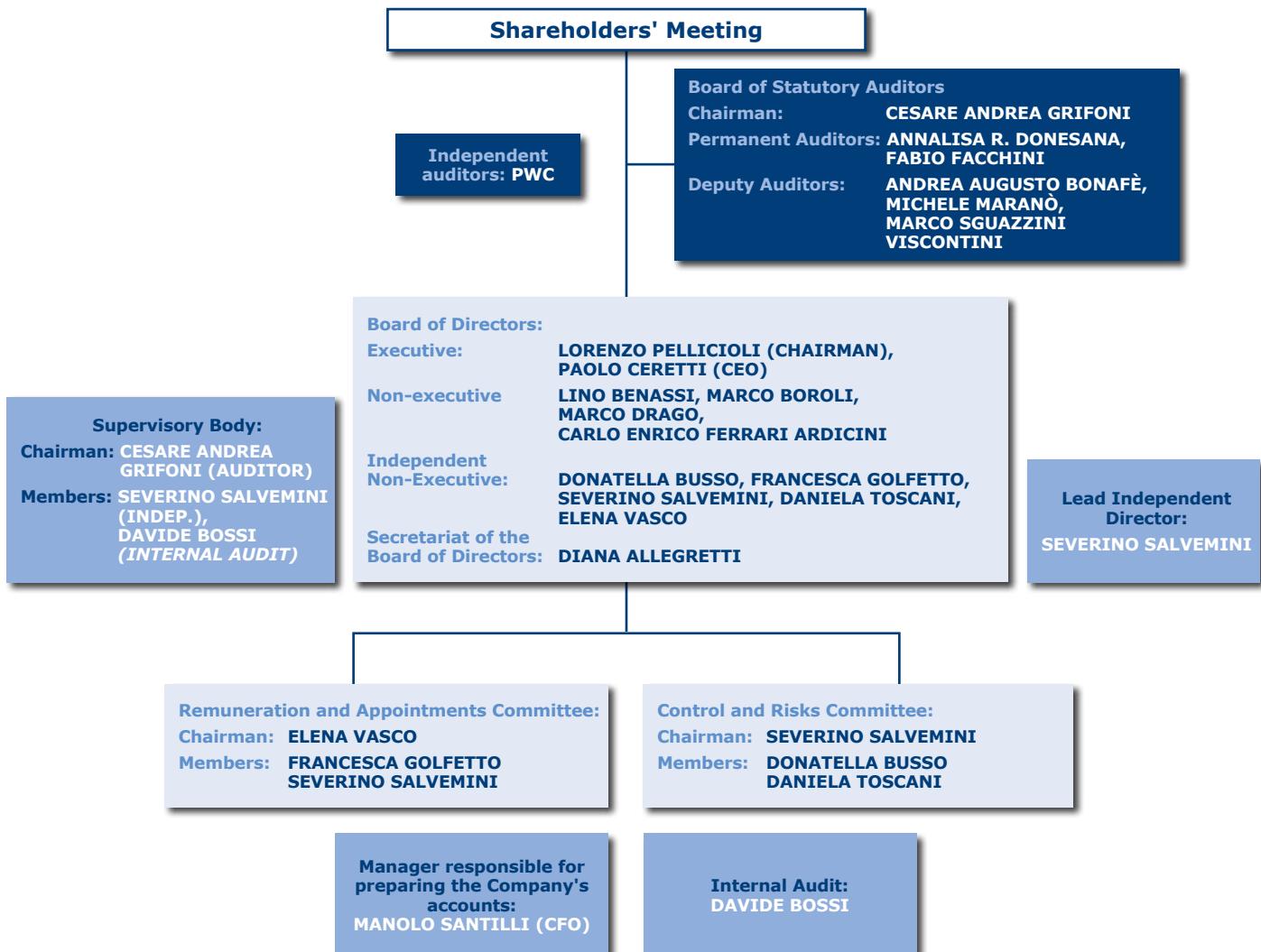
- The **Board of Auditors** comprises six members (the chairman, two permanent auditors and three deputy auditors). It monitors compliance with the law and the Company's articles of association, observance of the principles of proper management, and the suitability and proper functioning of the organisational, administrative and accounting structure. In 2017, the Board of Auditors met five times.

- The **Remuneration and Appointments Committee** comprises three independent directors and: (i) with regard to remuneration, submits proposals to the Board of Directors concerning the remuneration of the Chief Executive Officer, and assesses the Chief Executive Officer's recommendations regarding the remuneration of managers with strategic responsibilities; (ii) with regard to the appointment and composition of the Board of Directors, submits recommendations to the Board on the appropriate professional profile of board members in order to ensure

its optimal composition and efficient operation, formulates opinions on the size and composition of the Board and recommends candidates for the post of director in cases of co-option. In 2017, the Remuneration Committee met four times.

- The **Control and Risks Committee** comprises three independent directors. The Committee has a consultative role and makes proposals to the Board of Directors. In 2017, the Control and Risks Committee met five times.

*Corporate Governance Chart as at 31 December 2017:*



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

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

The risks set out below take into account the features of the market and the operations of the Parent Company DeA Capital S.p.A. and the consolidated Group companies, the main findings of a risk assessment carried out in 2017, as well as the periodic monitoring conducted partly through the regulatory policies adopted by the Group.

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

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

### **A. Contextual risks**

#### *A.1 Risks relating to general economic conditions*

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

#### *A.2 Socio-political events*

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

#### *A.3 Regulatory changes*

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

#### *A.4 Performance of the financial markets*

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

#### *A.5 Exchange rates*

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

#### *A.6 Interest rates*

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

## **B. Strategic risks**

### ***B.1 Concentration of the Private Equity investment portfolio***

*The Private Equity Investment strategy adopted by the Group includes:*

- Direct investments;
- Indirect investments (via funds).

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

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

### ***B.2 Concentration of Alternative Asset Management assets***

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

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

availability of property on the market, leading to a decrease in property values and an increase in selling times.

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

### ***B.3 Key resources (governance/organisation)***

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

## **C. Operating risks**

### ***C.1 Investment operations***

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

### *C.2 Compliance with covenants*

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

### *C.3 Divestment operations*

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

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

### *C.4 Funding Risk*

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

### *Other information*

At 31 December 2017, the Group had 185 employees, including 32 senior managers, 60 middle managers and 93 clerical staff. Of these, 165 worked in Alternative Asset Management and 20 in Private Equity Investment/the Holding Company. These staff levels do not include personnel on secondment from the Parent Company De Agostini S.p.A.

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

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

## Management

### Lorenzo Pellicioli, Executive Chairman

**Lorenzo Pellicioli** 67 years old) is Chairman of the Board of Directors of DeA Capital. He started his career as a journalist for the newspaper Giornale Di Bergamo and afterwards became Vice-President of Bergamo TV Programmes. From 1978 to 1984 he held different posts in Italian private television sector: for Manzoni Pubblicità, for Publikompass up to his nomination as Rete 4 General Manager. In 1984 he joined Gruppo Mondadori, the leading Italian publishing group. He was initially appointed General Manager for Advertising Sales, and Mondadori Periodici (magazines) Deputy General Manager, and afterwards President and CEO of Manzoni & C. S.p.A, the Group's advertising representative. From 1990 to 1997, he served first as President and CEO of Costa Cruise Lines in Miami, which is part of the Costa Crociere Group operating in the North American market (USA, Canada and Mexico) and then became General Manager of Costa Crociere S.p.A., based in Genoa. From 1995 to 1997 he was also President and CEO of Compagnie Française de Croisières (Costa-Paquet), the Paris-based subsidiary of Costa Crociere. From 1997 onwards he participated in the privatisation of SEAT Pagine Gialle, which was purchased by a group of financial investors. After the acquisition he was appointed CEO of SEAT. In February 2000 he also took charge of the Internet Business unit of Telecom Italia, subsequent to the sale of SEAT. In September 2001, following the acquisition of Telecom Italia by the Pirelli Group, he resigned. As from November 2005 he became CEO of the De Agostini Group. He was Chairman of Gtech from August 2006 until April 2015 and, after the merger with IGT, he became Vice Chairman of IGT. He is a member of the Board of Directors of Assicurazioni Generali S.p.A.. He is also member of the Advisory Boards of Palamon Capital Partners. He was formerly also a member of the Boards of Enel, INA-Assitalia and Toro Assicurazioni, and of the Advisory Board of Lehman Brothers Merchant Banking. On April 3, 2017 he was honoured with the title of *Chevalier dans l'ordre de la Légion d'Honneur* (Knight of the French Legion of Honor).

### Paolo Ceretti, Chief Executive Officer

**Paolo Ceretti** (63 years old) is Chief Executive Officer of DeA Capital since 2007. He gained his professional experience inside the Agnelli Group, holding from 1979 positions of increasing importance at Fiat SpA (Internal Auditing and Finance) and in the Financial Services Sector (Planning, Credit and Control) and subsequently assuming the position of Head of Strategic Planning and Development of Ifil (now EXOR). After assuming responsibility for the internet B2C sector of Fiat/Ifil in 1999 as CEO of CiaoHolding and CiaoWeb, he was appointed CEO of GlobalValue SpA, at Fiat/IBM joint venture in the Information Technology sector. Since 2004, he has been General Manager of De Agostini S.p.A., the holding of the De Agostini Group where he is also CEO of De Agostini Editore. He is also CEO of IDEAMI S.p.A. (Special Purpose Acquisition Company listed on the AIM Italia and promoted by DeA Capital and Banca IMI). He is a member of the Board of Directors of IGT, Banijay Group and other companies of the Group.



For further info:  
[www.deacapital.com](http://www.deacapital.com)  
section: *About Us*

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

**Manolo Santilli** (49 years old) is Chief Financial Officer of DeA Capital since February 2007 and Investor Relations director since July 2016.

He gained his professional experience starting in 1996 in STET International in the Planning, Controlling and Initiative Evaluation area, subsequently assuming in 2000 the responsibility of Administration and Control at IFIL/FIAT of the Internet Start-up Ciaoweb.

In 2002 he became Investment Manager in Finmeccanica and since 2004 he entered the De Agostini Group where he is currently also Administration, Finance and Reporting Manager for De Agostini S.p.A.. In 1994 he graduated in Economics at the Università Commerciale L. Bocconi of Milan. He is also Auditor and member of the Professional Accountants register in Pescara.

**Pier Luigi Rossi,**  
**Head of Strategy and Development**

**Pier Luigi Rossi** (45 years old) is Head of Strategy and Development since July 2017, reporting directly to the Chief Executive Officer, supporting top management in strategic investments, divestments and management of the shareholdings.

He started his career in Value Partners Management Consulting.

From 1997 to 2003, he worked in London in the Investment Banking Department of Morgan Stanley as analyst in the General M&A Execution Group later becoming senior associate in the European Financial Institutions Group, focusing on the Italian market.

From June 2003 to September 2005, he was senior transactor of the Advisory Team of Mediocredito Centrale (Capitalia Group) later becoming head of Group M&A and Business Development of Capitalia until October 2007.

From the end of 2007 to June 2017, he was founding partner of Sator and partner of Sator Private Equity Fund where he was also head of Investor Relations and board member of various portfolio companies.

He received a BA with honours in Business Administration with major in Finance from Bocconi University in Milan in 1997 and attended MBA Courses in Finance at The Wharton School of the University of Pennsylvania.



For further info:  
[www.deacapital.com](http://www.deacapital.com)  
section: *About Us*

## Significant events after the year-end

### Launch of Special Opportunities I fund

In January 2018, DeA Capital Real Estate SGR completed the closing of the Special Opportunities I fund, which has assets of EUR 200 million to be used for the purchase of non-performing secured loans via securitisation vehicles.

DeA Capital has subscribed to a total commitment of EUR 20 million. The remaining part of the commitment, amounting to EUR 180 million, was underwritten by Apollo Global Management, one of the world's leaders in alternative investment.

### Funds – paid calls/distributions

After 31 December 2017, the DeA Capital Group increased its investments in the ICF III, IDeA ToI and IDeA CCR II funds with payments totalling EUR 3.0 million.

At the same time, the DeA Capital Group received capital reimbursements totalling EUR 0.2 million from the IDeA CCR I and Venere funds.

Thus, after 31 December 2017, the private equity funds in which DeA Capital S.p.A. has invested have generated a net positive cash balance of EUR 2.8 million for the portion relating to the Group.

## Outlook

With regard to the **Private Equity Investment** area, the Group will continue its efforts to increase the value of the investments in its portfolio, and at the same time evaluate opportunities for new co-investment/club deal initiatives – including with funds managed by the Alternative Asset Management platform – that are smaller in size than in the past. The Group will also continue to sponsor new initiatives promoted by the platform and invest in funds it has launched, using the capital already available, as well as capital from the sale of portfolio assets and the reimbursements of funds in which DeA Capital S.p.A. has invested.

Turning to **Alternative Asset Management**, the Group will continue to develop its activities, aimed at consolidating its leadership in Italy and selectively exploring the opportunities for expansion in Europe. Development will be pursued through expansion of the investor base and a more extensive product range, with a stronger presence in the NPL segment.

Within this framework, in order to best capitalise on its internal know-how, the Group will strengthen and integrate its investor development/coverage functions, with the aim of raising awareness of DeA Capital S.p.A. as an integrated platform comprising private equity, real estate and NPL.

In terms of its capital position, DeA Capital S.p.A. will continue to maintain a solid financial structure, ensuring that shareholders receive attractive cash returns, primarily dividends, based on the available liquidity.

## 8. Proposal to approve the Annual Financial Statements of DeA Capital S.p.A. for the Year Ending 31 December 2017 and the partial distribution of the share premium reserve

Dear Shareholders,

in submitting the Annual Financial Statements for the Year Ending 31 December 2017 for your approval, the Board of Directors proposes that you pass the following resolutions:

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

- after reviewing the draft Annual Financial Statements for the Year Ending 31 December 2017, which show a loss of EUR 36,600,543 (profit of EUR 7,573,907 in 2016);
- in acknowledgement of the Reports of the Board of Auditors and of the independent auditors, PricewaterhouseCoopers S.p.A.;
- in acknowledgement that the legal reserve is one-fifth of the share capital and that the share premium reserve of DeA Capital S.p.A. at 31 December 2017 was EUR 271,308,709;

resolves

1. to approve the Report of the Board of Directors on the Group's position and on operating performance;
2. to approve the Statement of Financial Position, Income Statement and Notes to the Financial Statements for the Year Ending 31 December 2017 and the related annexes;
3. to carry forward the loss of EUR 36,600,543 reported in the Annual Financial Statements for the Year Ending 31 December 2017;
4. to make a partial distribution of the share premium reserve in an amount of EUR 0.12 per share;
5. to grant Chairman of the Board of Directors Lorenzo Pellicioli and Chief Executive Officer Paolo Ceretti the fullest powers to execute these resolutions, jointly or severally through their agents and in compliance with the deadlines and procedures established by law."

Milan, 13 March 2018

FOR THE BOARD OF DIRECTORS  
The Chairman  
Lorenzo Pellicioli



**CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 DECEMBER 2017**

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

# Consolidated Statement of Financial Position

(EUR thousand)	Note	31.12.2017	31.12.2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible and tangible assets</b>			
Goodwill	1a	93,745	129,399
Intangible assets	1b	23,488	27,184
Property, plant and equipment	1c	1,458	2,145
<i>Total intangible and tangible assets</i>		<b>118,691</b>	<b>158,728</b>
<b>Investments</b>			
Investments valued at equity	2a	29,293	33,449
Investments held by Funds	2b	48,583	84,084
- available for sale investments		13,683	47,845
- invest. in associates and JV valued at FV through P&L		34,900	36,239
Other available-for-sale companies	2c	78,953	67,166
Available-for-sale funds	2d	169,776	182,787
Other available-for-sale financial assets		13	22
<i>Total Investments</i>		<b>326,618</b>	<b>367,508</b>
<b>Other non-current assets</b>			
Deferred tax assets	3a	2,173	1,992
Loans and receivables	3b	684	960
Other non-current assets	3c	5,403	30,147
<i>Total other non-current assets</i>		<b>8,260</b>	<b>33,099</b>
<b>Total Non-current assets</b>		<b>453,569</b>	<b>559,335</b>
<b>Current assets</b>			
Trade receivables	4a	16,069	11,191
Available-for-sale financial assets	4b	4,385	4,242
Financial receivables	4c	578	2,715
Tax receivables from Parent companies	4d	1,055	2,282
Other tax receivables	4e	11,272	9,190
Other receivables	4f	16,886	3,976
Cash and cash equivalents	4g	127,916	96,438
<i>Total current assets</i>		<b>178,161</b>	<b>130,034</b>
<b>Total Current assets</b>		<b>178,161</b>	<b>130,034</b>
<b>Held-for-sale assets</b>	4h	<b>0</b>	<b>11,487</b>
<b>TOTAL ASSETS</b>		<b>631,730</b>	<b>700,856</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5a	255,670	261,207
Share premium reserve	5b	234,713	267,640
Legal reserve	5c	61,322	61,322
Fair value reserve	5d	77,009	67,842
Other reserves	5e	(10,536)	(11,661)
Retained earnings (losses)	5f	(117,095)	(129,574)
Profit/(loss) for the year	5g	(11,652)	12,427
<b>Net equity Group</b>		<b>489,431</b>	<b>529,203</b>
<b>Minority interests</b>	5h	<b>95,182</b>	<b>131,844</b>
<b>Shareholders' equity</b>		<b>584,613</b>	<b>661,047</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	3a	8,049	8,588
Provisions for employee termination benefits	6a	4,204	4,016
Long term financial loans		0	19
Payables to staff		81	207
<i>Total non-current liabilities</i>		<b>12,334</b>	<b>12,830</b>
<b>Current liabilities</b>			
Trade payables	7a	6,594	6,019
Payables to staff and social security organisations	7b	8,330	7,033
Current tax	7c	1,998	2,941
Other tax payables	7d	5,564	1,429
Other payables	7e	12,097	8,335
Short term financial loans	7f	200	1,222
<b>Total current liabilities</b>		<b>34,783</b>	<b>26,979</b>
<b>Held-for-sale liabilities</b>		<b>0</b>	<b>0</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>631,730</b>	<b>700,856</b>

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

## Consolidated Income Statement

(EUR thousand)	Note	Financial year 2017	Financial year 2016
Alternative Asset Management fees	8	57,944	59,114
Income from equity investments	9	3,898	524
Other investment income/expense	10	8,633	12,338
Income from services	11	2,208	8,509
Other income	12	144	288
Personnel costs	13a	(29,893)	(31,003)
Service costs	13b	(16,799)	(19,472)
Depreciation, amortization and impairment	13c	(41,529)	(11,886)
Other expenses	13d	(10,395)	(4,527)
Financial income	14a	553	888
Financial expenses	14b	(637)	(2,108)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>(25,873)</b>	<b>12,665</b>
Income tax	15	(420)	(199)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>(26,293)</b>	<b>12,466</b>
Profit (Loss) from discontinued operations/held-for-sale assets	16	682	0
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(25,611)</b>	<b>12,466</b>
- Group share		(11,652)	12,427
- Non controlling interests		(13,959)	39
Earnings per share, basic (€)	17	(0.045)	0.047
<b>Earnings per share, diluted (€)</b>	<b>17</b>	<b>(0.045)</b>	<b>0.047</b>

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

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

## Consolidated Statement of Comprehensive Income (Statement of Performance – IAS 1)

Comprehensive Income or the Statement of Performance (IAS 1), in which performance for the period attributable to the Group is reported including results posted directly to shareholders' equity, reflects a net negative balance of EUR -2.7 million compared with a net positive balance of EUR +16.7 million in 2016. This comprised:

- a net loss of EUR -11.7 million recorded on the Income Statement;
- profits posted directly to shareholders' equity totalling EUR +9.0 million (due mainly to the increase in the fair value of IDeA Taste of Italy).

(EUR thousand)	Year 2017	Year 2016
<b>Profit/(loss) for the period (A)</b>	<b>(25,611)</b>	<b>12,466</b>
Comprehensive income/expense which might be subsequently reclassified within the profit (loss) for the period	7,962	5,660
<i>Gains/(losses) on fair value of available-for-sale financial assets</i>	8,608	5,701
<i>Share of other comprehensive income of associates</i>	(646)	(41)
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period	14	27
<i>Gains/(losses) on remeasurement of defined benefit plans</i>	14	27
<b>Other comprehensive income, net of tax (B)</b>	<b>7,976</b>	<b>5,687</b>
<b>Total comprehensive income for the period (A)+(B)</b>	<b>(17,635)</b>	<b>18,153</b>
<b>Total comprehensive income attributable to:</b>		
- Group Share	(2,708)	16,687
- Non Controlling Interests	(14,927)	1,466

## Consolidated Cash Flow Statement – Direct Method

(EUR thousand)	Year 2017	Year 2016
<b>CASH FLOW from operating activities</b>		
Investments in funds and shareholdings	(43,560)	(34,752)
Capital reimbursements from funds	40,427	25,617
Proceeds from the sale of investments	80,960	18,065
Interest received	128	299
Interest paid	(36)	(85)
Cash distribution from investments	1,588	49
Realized gains (losses) on exchange rate derivatives	(3)	1
Taxes paid	4,663	(3,141)
Dividends received	607	3,500
Management and performance fees received	48,954	55,468
Revenues for services	2,376	11,498
Operating expenses	(44,958)	(57,371)
<b>Net cash flow from operating activities</b>	<b>91,146</b>	<b>19,148</b>
<b>CASH FLOW from investment activities</b>		
Acquisition of property, plant and equipment	(85)	(54)
Sale of property, plant and equipment	5	14
Purchase of licenses	(553)	(250)
<b>Net cash flow from investing activities</b>	<b>(633)</b>	<b>(290)</b>
<b>CASH FLOW from financing activities</b>		
Acquisition of financial assets	(2,696)	(1,977)
Sale of financial assets	2,505	5,254
Share capital issued	1,574	4,529
Own shares acquired	(8,042)	(3,776)
Share capital issued for Stock Option Plan	276	352
Dividends paid	(53,569)	(43,537)
Loan	(301)	(382)
Financial receivavbles/payables	2,130	1,336
Bank loan paid back	(912)	345
<b>Net cash flow from financing activities</b>	<b>(59,035)</b>	<b>(37,856)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>31,478</b>	<b>(18,998)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>96,438</b>	<b>123,468</b>
Effect of change in basis of consolidation: cash and cash equivalents	0	(8,032)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>127,916</b>	<b>96,438</b>

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

## Consolidated Statement of Changes in Shareholders' Equity

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

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Fair Value reserve
<b>Total at 31 December 2016</b>	<b>261,207</b>	<b>267,640</b>	<b>61,322</b>	<b>67,842</b>
Allocation of 2016 net profit	0	0	0	0
Cost of stock options	0	0	0	0
Purchase of own shares	(6,018)	(2,024)	0	0
Exercise of stock options and performance shares	481	254	0	0
Dividend distribution	0	(31,157)	0	0
Other changes	0	0	0	214
<b>Total comprehensive income for 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,953</b>
<b>Total at 31 December 2017</b>	<b>255,670</b>	<b>234,713</b>	<b>61,322</b>	<b>77,009</b>

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

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

Other reserves	Profit (loss) carried forward	Profit (loss) for the group	Group total	Non-controlling interests	Consolidated shareholders' equity
<b>(11,661)</b>	<b>(129,574)</b>	<b>12,427</b>	<b>529,203</b>	<b>131,844</b>	<b>661,047</b>
0	12,427	(12,427)	0	0	0
1,227	0	0	1,227	0	1,227
0	0	0	(8,042)	0	(8,042)
(511)	52	0	276	0	276
0	0	0	(31,157)	(1,808)	(32,965)
418	0	0	632	(19,927)	(19,295)
<b>(9)</b>	<b>0</b>	<b>(11,652)</b>	<b>(2,708)</b>	<b>(14,927)</b>	<b>(17,635)</b>
<b>(10,536)</b>	<b>(117,095)</b>	<b>(11,652)</b>	<b>489,431</b>	<b>95,182</b>	<b>584,613</b>





**NOTES TO THE FINANCIAL  
STATEMENTS**  
**CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR  
ENDING 31 DECEMBER 2017**

# Notes to the Financial Statements Consolidated Financial Statements for the Year Ending 31 December 2017

## A. Structure and content of the Consolidated Financial Statements

The Consolidated Financial Statements for the Year Ending 31 December 2017 include the Parent Company DeA Capital S.p.A. and all subsidiaries (the Group), and were prepared using the separate financial statements of the companies included in the basis of consolidation corresponding to the relevant individual statements, restated as necessary, to adapt them to the accounting standards listed below as dictated by Italian law.

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

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

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

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

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

The publication of the Consolidated Financial Statements for the Year Ending 31 December 2017 was authorised by a resolution of the Board of Directors dated 13 March 2018.

### **Statement of compliance with accounting standards**

The Consolidated Financial Statements for the Year Ending 31 December 2017 (2017 Consolidated Financial Statements) have been prepared in accordance with the International Accounting Standards adopted by the European Union and approved by the date the Financial Statements were prepared (International Accounting Standards, or individually IAS/IFRS, or collectively IFRS (International Financial Reporting Standards)). IFRS also includes all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), and approved by the European Union.

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

### **Accounting standards, amendments and interpretations applied as of 1 January 2017**

The IASB-approved international accounting standards and interpretations authorised for adoption in Europe that were applied for the first time from 1 January 2017 are detailed below.

The Group did not apply any IFRS in advance.

### *Amendments to IAS 7 (Disclosure Initiative)*

On 29 January 2016, the IASB issued some amendments to IAS 7 (Statement of cash flows: disclosure initiative).

The amendments aim to clarify and improve the information on liabilities arising from financing activities and stipulate the inclusion in the Cash Flow Statement of a table reconciling the opening and closing balances of liabilities.

The Disclosure Initiative added paragraphs 44A-44E as an amendment to IAS 7.

In particular, paragraph 44A establishes that an entity must provide the information that allows the user of the financial statements to assess changes in liabilities arising from financing activities, including both changes arising from financial flows and non-cash changes.

Information should be provided on the following:

- a) changes arising from financing cash flows, such as the payment of instalments of a loan or a lease;
- b) changes arising from obtaining or losing control of subsidiaries or other businesses, such as the loans acquired in a business combination;
- c) the effect of changes in foreign exchange rates;
- d) changes in fair value, typically of financial assets used to hedge loans;
- e) other changes.

The method identified by the Board to satisfy the information required by paragraph 44A is to provide a reconciliation (in table form) between the opening and closing balances of liabilities arising from financing activities, including the changes indicated above.

Finally, paragraph 44E stipulates that if the entity provides the information required by paragraph 44A in combination with disclosures of changes in other assets and liabilities, it must disclose the changes in liabilities arising from financing activities separately from changes in the other assets and liabilities.

### *Amendments to IAS 12*

On 19 January 2016, the IASB issued some amendments to IAS 12 (Income taxes). The document aims to clarify how to account for deferred tax assets relating to debt instruments measured at fair value.

The changes relate to the recognition and measurement of deferred tax assets (DTA).

In particular, the amended standard specifies that:

- DTAs may be recognised for temporary differences attributable to the difference between fair value and the taxable amount of fixed rate financial instruments that have not been written down (this applies to the available-for-sale category), and
- temporary differences must be compared to future profits.

### ***Future accounting standards, amendments and interpretations***

*Accounting standards, amendments and interpretations that are not yet applicable and have not been adopted in advance by the Group, but are already approved for adoption in the European Union as of 13 March 2018*

The International Accounting Standards, interpretations and changes to existing IASB-approved accounting standards and interpretations that were already ratified for adoption in the European Union at 13 March 2018 are as follows:

#### ***IFRS 9 (Financial instruments)***

On 24 July 2014, the IASB published IFRS 9 (Financial instruments). The standard, which changes both the recognition and measurement of financial assets and liabilities, and hedge accounting, fully replaces IAS 39 (Financial instruments: recognition and measurement).

Specifically, the standard contains a framework for classifying and valuing financial assets based on three business models:

- Hold to collect (HTC), or financial assets held with the aim of collecting contractual cash flows. In this case, the valuation criterion that can be adopted is the amortised cost (if they pass the SPPI Test (solely payment of principal and interest)) or fair value through profit and loss (FVTPL);
- Hold to collect and sell (HTC&S), i.e. financial assets held with the aim of either collecting contractual cash flows or to be sold. In this case, the valuation criterion that can be adopted is fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL);

- Other business models: in this case the valuation criterion that can be adopted is fair value through profit and loss (FVTPL). The classification of financial assets is also guided by the contractual characteristics of their cash flows, to the extent that, if certain characteristics are absent, classification in some of the categories defined above is precluded.

The standard also stipulates a new impairment model, which differs from that currently set out in IAS 39, and is mainly based on the concept of expected losses.

The standard applies from 1 January 2018, except for hedge accounting, for which companies can provisionally opt to keep the IAS 39 framework.

For listed companies which present quarterly reports, the first occasion to present accounting data with the new standard will be at the end of the period to 31 March 2018.

During 2017, the Group carried out a detailed analysis of the accounting impacts resulting from the introduction of IFRS 9.

#### **a. Classification and valuation of financial assets**

The analysis carried out by the Group concerned the following categories of financial assets:

##### **a.1) Investment funds**

Investment funds (listed and unlisted), which are currently classified as **available for sale (AFS)**, where gains and losses are recognised in other components of the Statement of Comprehensive Income, and effects accrued at the date of any sale of the instrument, or any impairment, are reversed to the Income Statement, shall be measured at fair value with changes in value recognised directly in the Income Statement. This approach **will increase the volatility of the Income Statement results for financial years after 31 December 2017, but will leave the opening balance of shareholders' equity at 1 January 2018 unchanged.**

**The "AFS Reserve" item accrued in shareholders' equity as at 31 December 2017, net of the related tax effects recognised as tax assets and/or tax liabilities, will be reclassified under "Retained earnings (losses)" in shareholders' equity.**

The choice of the above-mentioned approach (fair value with changes in value recognised directly in the Income Statement) depends on the classification of the investment funds, which, according to IAS 32, must have the necessary features to be classified as a debt instrument, as also clarified by IFRIC in May 2017. If they do not pass the "SPPI Test" (solely payment of principal and interest) required by IFRS 9 for such instruments (due to the fact that cash flows generated by them are not solely due to the payment of capital and interest), they may not be recorded at amortised cost and thus must be accounted for using the "fair value through profit and loss" approach.

##### **a.2) Shares**

Shares (listed and unlisted) which are currently classified as **available for sale (AFS)**, where gains and losses are recognised in other components of the Statement of Comprehensive Income and effects accrued at the date of any sale of the instrument, or any impairment, are reversed to the Income Statement, will continue to be measured at fair value. IFRS 9 stipulates that fair value is the only valuation criterion for investments in equity instruments.

The shares currently in the portfolio are not held for trading (there are no differences in treatment between IAS 39 and IFRS 9 in this case). Therefore, in accordance with IFRS 9, the Group may decide on an instrument-by-instrument basis whether to recognise changes in the value of the security directly in the Income Statement (similar to the treatment required for held for trading positions) or, alternatively, to recognise them permanently in shareholders' equity (with no reversal in the Income Statement, even in the case of realised capital gains/losses).

**The Group has decided to recognise changes in the value of this asset class directly in the Income Statement. This approach will increase the volatility of the Income Statement results for financial years after 31 December 2017, but will leave the opening balance of shareholders' equity at 1 January 2018 unchanged.**

**The "AFS Reserve" item accrued in shareholders' equity as at 31 December 2017, net of the related tax effects recognised as tax assets and/or tax liabilities, will be reclassified under "Retained earnings (losses)" in shareholders' equity.**

### a.3) Bonds

Listed bonds, which are currently measured at fair value and classified as **available for sale (AFS)**, where gains and losses are recognised in other comprehensive income and effects accrued at the date of any sale of the instruments are reversed to the Income Statement, will continue to be measured at fair value.

In accordance with IFRS 9, this type of asset must be measured at fair value; changes in the value of these securities can be recognised directly in the Income Statement or, alternatively, in shareholders' equity (OCI) with a subsequent reversal in the Income Statement when the security is sold (except for interest accrued at the actual interest rate, which is booked to the Income Statement for the relevant period, and any expected impairment losses), as a function of the underlying business model.

All the Group's listed bonds in the portfolio at 31 December 2017 are plain vanilla bonds which pass the "SPPI Test"; however, as the underlying business model cannot be classified as "hold to collect" (i.e. securities purchased to be held in the portfolio until maturity), the bonds cannot be valued at amortised cost under IFRS 9.

***The business model underlying the holding of such securities is "mixed", i.e. they can be held either to collect the contractual cash flows they generate or they can be sold. These securities must therefore be measured at fair value with changes in value booked to the statement of comprehensive income (OCI) consistent with the accounting treatment currently adopted (the only change will be the renaming of the Income Statement asset item "Available-for-sale financial assets" to "Financial assets measured at fair value through other comprehensive income" and the renaming of the "AFS Reserve".***

### b. Impairment

IFRS 9 introduces the obligation to measure impairment on trade and financial receivables in terms of expected loss, taking into account both past-due and expiring positions, classifying these assets through a three-stage approach according to the probability of insolvency.

Given the business conducted by the Group, the type of financial assets held and the valuation methods adopted following implementation of IFRS 9 (mainly fair value), this part of the standard will have only a marginal impact on the Group's financial statements.

***Currently, in order to calculate the Provisions for Doubtful Receivables, the Group already measures both past-due and expiring positions (albeit not from the perspective of expected loss). It therefore does not expect the application of the new standard to have any significant impact on shareholders' equity.***

### c. Hedge accounting

Given that the Group does not hold derivative financial instruments, the changes introduced by IFRS 9 on hedge accounting are not expected to have an impact.

#### *IFRS 15 (Revenue from contracts with customers)*

On 28 May 2014, the IASB issued IFRS 15 (Revenue from contracts with customers), which was subsequently amended on 11 September 2015.

The standard replaces IAS 18 (Revenue), IAS 11 (Construction contracts), and the interpretations SIC 31, IFRIC 13 and IFRIC 15. It requires revenues to be recognised at the time the goods or services are transferred to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services.

The new model for recognising revenues defines a five-step model for recognising revenues from contracts with customers:

- identifying contracts with the customer;
- identifying performance obligations, i.e. contractual commitments to transfer goods or services to a customer. In particular, IFRS 15 requires companies to identify the existence of distinct performance obligations within the same contract, which must therefore be treated separately;
- determining the transaction price;
- allocating transaction prices to performance obligations
- recognising the revenues when the relevant performance obligation has been fulfilled. Specifically, this occurs when an obligation to be met is fulfilled by transferring the goods or services to the customer, or when the customer obtains control of the goods or receives the service. Control can be assumed progressively over time or at a specific point in time.

The standard applies from 1 January 2018, but early application is permitted; for listed companies which present quarterly reports, the first occasion to present accounting data with the new standard will be at the end of the period to 31 March 2018.

The standard provides the option of choosing between a "full retrospective method" or a limited "cumulative catch-up method".

***The Group expects to adopt the cumulative catch-up method, which entails recognising the cumulative effect of the standard as an adjustment to the opening balance of profits carried forward from the previous year, but only for contracts that have not been completed at 1 January 2018; this method means that the comparison period will not have to be amended.***

During 2017, the Group carried out a detailed analysis of the accounting impacts resulting from the introduction of IFRS 15.

The analysis carried out by the Group related in particular to the accounting treatment for:

**a) set-up/subscription fees of a fund:** the fees that a company receives as remuneration for its work in creating the fund.

The company must currently recognise set-up fees when, at a certain point in time, it fulfils its performance obligation to create the fund and transfers the promised asset, i.e. the fund, at initial subscription. ***The Group considers this accounting treatment to be in line with the provisions of IFRS 15 as it considers the set-up/subscription fees of a fund to be a separate performance obligation from that arising from management of the fund;***

**b) set-up fees:** the costs incurred by the company in carrying out the necessary work to create a fund, in order to ensure that the fund is operational at the time of closing. These costs are considered to be one-off costs for the launch of the fund and are, therefore, currently expensed in the year in which they are incurred, in line with the recognition of set-up/subscription fees. ***The Group considers this accounting treatment to be in line with the provisions of IFRS 15;***

**c) placement fees:** incremental costs that the company incurs in adding an investor to a fund's subscribers. ***Under IFRS 15, these costs (success fees), if incurred, must be recorded as assets (prepaid expenses) and expensed over time, with a contra entry for management fee income generated by the subscription to the funds by new customers.***

***The Group does not currently use a criterion that is fully compliant with the new provisions of IFRS 15 and is therefore undertaking more detailed analysis to quantify the impact of including profits carried forward at 1 January 2018 in the opening balance. However, the effects are not expected to be significant for the Group.***

***It can therefore be concluded that the application of the new standard is not expected to have a significant impact on shareholders' equity.***

#### **IFRS 16 – Leases**

On 13 January 2016, the IASB issued IFRS 16 (Leases), which replaces the accounting rules contained in IAS 17.

IFRS 16 provides a new definition of leases and introduces a criterion based on the control of an asset ("right of use"). With a lease contract, one party (lessor) conveys to the other party (lessee) the right to use an asset for consideration and for a given period. Therefore, apart from lease contracts per se, rental, hire, letting and hire purchase agreements also fall within the definition of "lease contracts" under the new IFRS 16.

IFRS 16 contains a single accounting model for leases that removes the distinction between operating leases and finance leases from the lessee's perspective. All contracts that fall within the definition of lease (with the exception of short-term leases and leases of low-value items, which the lessor has the option not to recognise on the basis of IFRS 16) must be recognised in the Statement of Financial Position as a right-of-use asset and associated liability.

In other words, the standard setters have developed a new accounting model which is applicable to lessees/tenants and aimed at recognising assets and liabilities for the rights and obligations deriving from lease contracts, irrespective of their nature.

In detail, on the start date of the lease contract, the lessee will recognise a liability for the lease payments (i.e. lease liabilities) and an asset for the right to use the underlying asset for the duration of the contract (i.e. the right-of-use asset). Lessees will have to account separately for the interest expenses on the lease liability and for the amortisation of the right to use the asset.

Lessees will also have to remeasure the lease liability upon the occurrence of certain events (for example: a change in the terms of the lease contract, a change in future lease payments resulting from a change in an index or rate used to determine

those payments). Lessees will generally recognise the amount of the new measurement of the lease liability as an adjustment to the right to use the asset.

The accounting required by IFRS 16 for lessors is substantially unchanged from current accounting under IAS 17: they will continue to classify all leases using the same classification principle stipulated by IAS 17 and distinguish between two types of lease: operating leases and finance leases.

IFRS 16 requires lessees and lessors to make a more extensive disclosure than IAS 17

The standard takes effect on 1 January 2019. Companies adopting IFRS 15 in advance may also apply this standard in advance.

### *Amendments to IFRS 2*

On 20 June 2016, the IASB published amendments to IFRS 2 (Classification and measurement of share-based payment transactions) intended to clarify the accounting treatment for some types of share-based payment transactions.

The date of first application for the amendments, which were ratified by the European Commission on 26 February 2018, is 1 January 2018 (although early application is permitted).

### *Improvements to IFRS – 2014-2016 Cycle*

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

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

### ***Accounting principles, amendments and interpretations that are not yet applicable, have not been adopted in advance by the Group and are not yet approved for adoption in the European Union as of 13 March 2018***

The International Accounting Standards, interpretations and amendments to existing IASB-approved accounting standards and interpretations that had not been ratified for adoption in the European Union as of 13 March 2018 are as follows:

### *IFRS 17 – Insurance Contracts*

In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new standard for insurance contracts that covers recognition, measurement, presentation and disclosure. When it enters into force, IFRS 17 will replace IFRS 4 (Insurance Contracts), issued in 2005.

IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance, re-insurance), regardless of the type of entity that issues them, and to some guarantees and financial instruments with discretionary participation features.

The general aim of IFRS 17 is to introduce an accounting model for insurance contracts that is more useful and uniform for insurers. In contrast to the provisions of IFRS 4, which are largely based on the maintenance of previous accounting policies, IFRS 17 provides a complete model for insurance contracts that covers all the relevant accounting aspects.

At the heart of IFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (variable fee approach (VFA));
- a simplified approach (premium allocation approach (PAA)), mainly for short-term contracts.

IFRS 17 will come into force for financial years from 1 January 2021 and will require comparative balances to be presented.

Early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or previously.

### *Amendment to IAS 40*

On 8 December 2016, the IASB issued some amendments to IAS 40 (Investment property: transfers of investment property), clarifying the changes in use that result in an asset that is not an investment property being classified as such or vice versa, specifying that a change in use must have occurred. To decide whether a change of use has occurred, an assessment of whether the investment property satisfies the definition must be made. This change must be supported by evidence, as the IASB has confirmed that a change in intention, in isolation, is not enough to support the existence of a transfer.

The date of first application of the amendments, which are awaiting ratification by the European Commission, will be 1 January 2018.

## **IFRIC 22**

On 8 December 2016, the IASB published the new IFRIC 22 (Foreign currency transactions and advance consideration), which was issued to clarify which exchange rate to use in reporting transactions when payment is made or received in advance. The date of first application of the new interpretation, which is awaiting ratification by the European Commission, will be 1 January 2018.

## **IFRIC 23**

On 7 June 2017, the IASB published the new IFRIC 23 (Uncertainty over income tax treatments), which provides information on how to reflect uncertainty over the tax treatment of a specific phenomenon when accounting for income tax. The date of first application of the new interpretation, which is awaiting ratification by the European Commission, will be 1 January 2019.

## ***Amendments to IFRS 9 and IAS 28***

On 12 October 2017, the IASB published amendments to IFRS 9 (Prepayment features with negative compensation) and to IAS 28 (Investments in associates and joint ventures).

The amendments to IFRS 9 are intended to allow the measurement at amortised cost or fair value through other comprehensive income (OCI) of financial assets with an early repayment option using "negative compensation".

The amendments to IAS 28 (Long-term interests in associates and joint ventures) clarify that IFRS 9 applies to long-term receivables from an associate or joint venture which, in essence, form part of the net investment in the associate or joint venture.

The date of first application of the amendments, which are awaiting ratification by the European Commission, will be 1 January 2019.

## ***Improvements to IFRS – 2015-2017 Cycle***

On 12 December 2017, the IASB issued a set of amendments to IFRSs (Annual Improvements to IFRSs – 2015-2017 Cycle) relating to the following standards:

- IFRS 3 (Business combinations);
- IFRS 11 (Joint arrangements);
- IAS 12 (Income taxes);
- IAS 23 (Borrowing costs).

The date of first application of the amendments, which are awaiting ratification by the European Commission, will be 1 January 2019.

## ***Amendments to IAS 19***

On 7 February 2018, the IASB published amendments to IAS 19 (Plan amendment, curtailment or settlement). The aim of the amendments was to clarify how pension expenses are calculated when there is a change to a defined benefit plan.

The date of first application of the amendments, which are awaiting ratification by the European Commission, will be 1 January 2019.

***The Group will adopt these new standards, amendments and interpretations based on the effective date stipulated, and will assess their potential impact when they have been approved by the European Union.***

### **Basis of consolidation**

The basis of consolidation had changed at 31 December 2017 compared with 31 December 2016 due to the merger by incorporation of IDeA Real Estate S.p.A. into DeA Capital Real Estate S.p.A.; the latter subsequently changed its name to DeA Capital Partecipazioni S.p.A.

Therefore, at 31 December 2017, the following companies formed part of the DeA Capital Group's basis of consolidation:

<b>Company</b>	<b>Registered office</b>	<b>Currency</b>	<b>Share capital</b>	<b>% holding</b>	<b>Consolidation method</b>
<b>DeA Capital S.p.A.</b>	<b>Milan, Italy</b>	<b>Eur</b>	<b>306.612.100</b>	<b>Holding</b>	
DeA Capital Alternative Funds SGR S.p.A. (*)	Milan, Italy	Eur	1.200.000	100,00%	Full consolidation
IDeA OF I	Milan, Italy	Eur	-	46,99%	Full consolidation
DeA Capital Partecipazioni S.p.A. (#)	Milan, Italy	Eur	600.000	100,00%	Full consolidation
DeA Capital Real Estate SGR S.p.A. (°)	Rome, Italy	Eur	16.757.557	64,30%	Full consolidation
SPC S.p.A.	Milan, Italy	Eur	208.950	80,00%	Full consolidation
Gruppo Innovation Real Estate S.p.A.	Milan, Italy	Eur	597.725	45,00%	Equity accounted (Associate)
IDeA Efficienza Energetica e Sviluppo Sostenibile	Milan, Italy	Eur	-	30,40%	Equity accounted (Associate)
Venere	Rome, Italy	Eur	-	27,27%	Equity accounted (Associate)

(\*) Previously IDeA Capital Funds SGR S.p.A., name change effective October 5, 2017  
 (#) Previously DeA Capital Real Estate S.p.A., name change effective October 6, 2017  
 (°) Previously IDeA FIMIT SGR S.p.A., name change effective October 5, 2017

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

### **Consolidation method**

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

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

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

The financial statements to be consolidated, which were drawn up on 31 December 2017, were prepared and approved by the Boards of Directors of the individual companies, appropriately adjusted, where necessary, to harmonise them with the Parent Company's accounting standards.

The main criteria adopted to apply this line-by-line method of consolidation are mainly as follows:

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

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

## **B. Measurement criteria adopted**

The measurement criteria adopted on the basis of International Accounting Standards and reported below are consistent with the going concern principle and have not changed from those used in the preparation of the Consolidated Financial Statements for the Year Ending 31 December 2016 and the Summary Consolidated Half-year Financial Statements at 30 June 2017 apart from as a result of the application of the new IAS/IFRS accounting standards as described above.

### **Current and non-current assets and liabilities**

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

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

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

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

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

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

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

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

### **Goodwill**

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

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

### **Intangible assets**

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

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

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

The useful life of intangible assets is assessed as finite or indefinite.

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

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

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

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

## **Impairment – IAS 36**

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

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

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

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

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

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

When calculating the value, it is important to:

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

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

## **Tangible assets**

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

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

## **Associates**

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

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

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

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

## **Financial assets**

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

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

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

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

The concept of fair value has the following features:

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

Assets and liabilities measured at fair value may be:

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

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

In such cases:

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

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

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

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

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

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

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

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

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

### **Trade receivables**

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

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

### **Cash and cash equivalents**

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

## **Held-for-sale assets**

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

## **Treasury shares**

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

## **Fair value reserve**

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

## **Financial liabilities**

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

## **Provisions for risks and future liabilities**

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

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

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

## **Revenues and income**

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

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

Interest is reported using the effective interest rate method.

## **Employee benefits**

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

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

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

Specifically:

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

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

### ***Share-based payments***

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

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

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

### ***Income tax***

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

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

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

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

The carrying values of deferred tax assets are analysed periodically and reduced to the extent that it is no longer probable that sufficient taxable income will be generated to permit their use.

### **Earnings per share**

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

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding for all potential ordinary shares resulting from the option to exercise stock options that have been granted, which may therefore have a diluting effect.

## **C. Changes in accounting principles and the treatment of errors**

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

The application of a new or amended accounting standard is recorded as required by the standard itself, adapting, where necessary, the comparative information. If the standard does not specify transition methods, the change is reflected retrospectively, or if that is not practicable, prospectively.

If there are significant errors, the same treatment stipulated for changes in accounting principles is used, with the comparative information provided. If there are minor errors, corrections are posted to the Income Statement in the period in which the error is discovered.

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

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

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

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

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

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

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

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

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

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

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

### **Information on the fair value hierarchy**

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

- **level 1:** where the fair value of the financial instrument is calculated based on the quoted prices recorded on an active market for the assets or liabilities being valued;
- **level 2:** where the fair value of the financial instrument is calculated using observable inputs other than those included in level 1, such as:
  - prices quoted on active markets for similar assets and liabilities;
  - prices quoted on inactive markets for identical assets and liabilities;
  - interest rate curves, implicit volatility, credit spreads;
- **level 3:** where the fair value of the financial instrument is measured on the basis of non-observable data. These input data may be used if no observable input data are available. IFRS 13 specifies that unobservable input data used to measure fair value must reflect the assumptions used by market participants when fixing the price for the assets or liabilities being valued.

The table below shows assets valued at fair value by level at 31 December 2017:

(EUR million)	Note	Level 1	Level 2	Level 3	Total
Available-for-sale equity investments held by funds	2b	0.0	0.0	13.7	13.7
Investments in associates and JVs held by funds (recognised on income statement)	2b	0.0	14.1	20.8	34.9
Available-for-sale investments in other companies	2c	33.2	45.6	0.2	79.0
Available-for-sale funds	2d	5.2	164.6	0.0	169.8
Available-for-sale financial assets – current portion	4b	4.4	0.0	0.0	4.4
<b>Total assets</b>		<b>42.8</b>	<b>224.3</b>	<b>34.7</b>	<b>301.8</b>

For **level 3**, a reconciliation of the opening and closing balances is shown in the table below. Income and expenses posted to the Income Statement or shareholders' equity, and purchases and sales made during 2017, are identified separately:

(EUR thousand)	Balance at 1.1.2017	Decreases	Fair value adjustment	Translation effect	Balance at 31.12.2017
Available-for-sale equity investments held by funds	47.9	(33.2)	(1.0)	0.0	13.7
Investments in associates and JVs held by funds (recognised on income statement)	21.3	0.0	0.0	(0.5)	20.8
Other entities	0.3	(0.1)	0.0	0.0	0.2
<b>Total other available-for-sale companies</b>	<b>69.5</b>	<b>(33.3)</b>	<b>(1.0)</b>	<b>(0.5)</b>	<b>34.7</b>

### **Valuation techniques and main unobservable input**

#### *Available-for-sale equity investments held by funds*

At 31 December 2017, the DeA Capital Group was a minority shareholder, through the IDeA OF I fund, in Giochi Preziosi and Elemaster.

### *Investments in associates and joint ventures held by funds*

At 31 December 2017, the DeA Capital Group was a minority shareholder, through the IDeA OF I fund, in Iacobucci HF Electronics, Pegaso Transportation Investments (Talgo) and 2IL Orthopaedics Ltd (Corin). The companies were measured at fair value with changes recognised in the Income Statement pursuant to IAS 28.18.

**Available-for-sale equity investments held by funds and Available-for-sale equity investments in associates and joint ventures held by funds** are measured as described in the relevant fund management report for the year ending 31 December 2017. Note that the valuation of the IDeA OF I fund's assets, as reflected in the fund's net asset value reported in the above-mentioned management report, and expressed according to Bank of Italy criteria, considers, for all securities not listed in a regulated market, the lower of the investment value ("cost") and the fair value. This approach, although potentially conservative if assets are valued individually, gives a correct representation of the fair value from the point of view of the holder of the fund units. Any trading of said units is, in practice, based on the NAV of the fund to which they relate, adjusted if necessary by a "discount" (much more rarely by a "premium") and not on the sum of the fair values of the individual assets comprised within it.

This is the main reason it is considered appropriate, from the perspective of DeA Capital, which holds an interest in the assets in the portfolio of IDeA OF I via the units it holds in the fund, to show the values of said individual assets held by IDeA OF I as reported in the relevant fund management report.

### *Available-for-sale investments in other companies*

This item comprises:

- the equity investment in Kenan Investments (the indirect parent company of Migros), which is recorded in the Consolidated Financial Statements for the Year Ending 31 December 2017 at EUR 45.6 million. This valuation is based on (i) the equity value of Migros, measured at market price on 31 December 2017, (ii) an updated view of net debt at the various levels of the company's control structure (Kenan Investments and Moonlight Capital) and (iii) the TRY/EUR exchange rate;
- the stake in **Crescita**, which is recorded in the Consolidated Financial Statements for the Year Ending 31 December 2017 at EUR 8.2 million. This valuation is based on the market price at 31 December 2017, as the company's shares started trading on the Italian stock exchange on 15 March 2017;
- the stake in **IDeaMI**, which is recorded in the Consolidated Financial Statements for the Year Ending 31 December 2017 at EUR 25 million. This valuation is in line with the market price at 31 December 2017, as the company's shares started trading on AIM Italia on 11 December 2017.

### *Available-for-sale funds (venture capital funds, funds of funds, theme funds and real estate funds)*

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

At 31 December 2017, the DeA Capital Group held units in the following funds:

- IDeA I FoF (valued at EUR 49.5 million);
- ICF II (valued at EUR 37.9 million);
- ICF III (valued at EUR 7.9 million);
- IDeA ToI (valued at EUR 20.7 million);
- IDeA CCR I (valued at EUR 1.6 million);
- Santa Palomba (valued at EUR 0.4 million);
- six venture capital funds (with a total value of EUR 8.6 million);
- eleven real estate funds held through DeA Capital Real Estate SGR (valued at EUR 43.2 million).

For venture capital funds, the fair value of each fund is based on the fund's stated NAV, calculated according to international valuation standards and adjusted if necessary to reflect capital reimbursements/calls that occurred between the reference date for the last available NAV and the balance sheet date.

For the other funds, the fair value of each fund is represented by the NAV advised by the management company in the fund management report for the year ending 31 December 2017, drafted in accordance with the Bank of Italy's regulation of 19 January 2015, as subsequently amended, on collective asset management.

# Statement of financial position

## Non-current assets

### 1 - Intangible and tangible assets

#### 1a - Goodwill

Changes in goodwill are shown in the table below:

	Balance at 1.1.2017 (EUR thousand)	Adjustments / acquisitions	Impairment	Balance at 31.12.2017
<b>Goodwill</b>	<b>129,399</b>	<b>926</b>	<b>(36,580)</b>	<b>93,745</b>

The item, which totalled EUR 93,745 thousand at 31 December 2017 (EUR 129,399 thousand at 31 December 2016), mainly relates to the acquisition of DeA Capital Alternative Funds SGR for EUR 31,324 thousand and the acquisition of IFIM/FIMIT SGR (now DeA Capital Real Estate SGR) for EUR 62,421 thousand, after deducting a total of EUR 34,178 thousand for impairment.

Impairment also includes an amount of EUR 2,402 thousand for impairment of the goodwill relating to SPC/Mato.

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

#### Adjustments/acquisitions

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

The transaction was carried out via the acquisition of Mato, a vehicle holding a majority interest in SPC, which was subsequently merged by incorporation into DeA Capital Partecipazioni (on 19 December 2016).

In July 2017, capital payments totalling EUR 2.5 million (DeA Capital Partecipazioni's share: EUR 2.0 million) were made to SPC; following subsequent shareholder resolutions (coverage of losses and allocation of share capital), this brought the stake held in SPC by DeA Capital Partecipazioni to 80%.

With regard to the **SPC** CGU, the amount of goodwill at 31 December 2016 (EUR 1,476 thousand) was revised during the year, following completion of the purchase price allocation ("PPA") process, to a total of EUR 2,402 thousand. It was later written down in light of the restructuring process undertaken by the company under the leadership of the new management and the company's performance in the months following the acquisition by the Group.

#### Impairment tests on goodwill

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

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

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

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

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

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

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

Impairment testing was carried out on the **DeA Capital Alternative Funds SGR** CGU, with a carrying amount of EUR 39.4 million (of which EUR 31.3 million was due to goodwill), using the sum of the parts model by determining the value in use, calculated as the sum of (i) the present value of dividend flows (DDM, or dividend discount model) expected from DeA Capital Alternative Funds SGR and (ii) the present value of the carried interest flows expected from funds managed by the company (DCF, or discounted cash flow methodology), both for the specific period covered by the forecasts (2018-2022) and for future periods (using a projected terminal value based on normalised cash flows).

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

The valuation was based on a cost of capital of between +9.7% and +11.3%, depending on (i) the period of the flows (2018-2022 or later) and (ii) the nature of these flows (dividends from the asset management company or carried interest from the managed funds), supplemented by a terminal value based on a growth assumption of +1.4%.

The recoverable amount of this CGU is higher than its carrying amount.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Alternative Funds SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -1.9/+2.1 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -1.0/+2.5 million (for changes of -0.5% and +0.5% in the rate of growth (g)).

Similarly, impairment testing was carried out on the **DeA Capital Real Estate SGR** CGU, with a carrying amount of EUR 179.9 million (of which EUR 96.6 million was due to goodwill), using the sum of the parts model by determining the value in use, calculated as the sum of (i) the present value of dividend flows (DDM methodology) expected from DeA Capital Real Estate SGR and (ii) the present value of the carried interest flows expected from funds managed by the company (DCF, or discounted cash flow methodology), both for the specific period covered by the forecasts (2018-2020) and for future periods (using a projected terminal value based on normalised cash flows).

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

The valuation was based on a cost of capital of +11.8% plus a terminal value based on a growth (g) assumption of +1.4%.

Since the recoverable amount of the CGU in question was less than its carrying amount, impairment of EUR 34,178 thousand (of which EUR 21,976 thousand related to the Group) was recorded. This is broadly due to the current/future trend in income from assets under management. The permanent impairment in question took the carrying amount of the CGU to EUR 145.7 million (of which EUR 62.4 million was residual goodwill).

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Real Estate SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -2.4/+2.7 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -0.9/+1.8 million (for changes of -0.5% and +0.5% in the rate of growth (g)).

## 1b - Intangible assets

Changes in intangible assets are shown in the tables below:

(EUR thousand)	Historical cost at 1.1.2017	Cum. amort. & write-downs at 1.1.2017	Net carrying value at 1.1.2017	Historical cost at 31.12.2017	Cum. amort. & write-downs at 31.12.2017	Net carrying value at 31.12.2017
Concessions, licences and trademarks	6,559	(5,406)	<b>1,153</b>	6,941	(5,861)	<b>1,080</b>
Software expenses	154	(142)	<b>12</b>	154	(151)	<b>3</b>
Development expenses	229	(226)	<b>3</b>	229	(228)	<b>1</b>
Other intangible assets	123,076	(97,060)	<b>26,016</b>	108,920	(86,516)	<b>22,404</b>
<b>Total</b>	<b>130,018</b>	<b>(102,834)</b>	<b>27,184</b>	<b>116,244</b>	<b>(92,756)</b>	<b>23,488</b>

(EUR thousand)	Balance at 1.1.2017	Acquisitions	Amort.	Write-downs	Decreases	Changes in consolidation area	Balance at 31.12.2017
Concessions, licences and trademarks	1,153	471		(528)	0	(16)	0
Software expenses	12	0		(9)	0	0	0
Development expenses	3	0		(1)	0	(1)	0
Other intangible assets	26,016	1		(1,313)	(2,300)	0	0
<b>Total</b>	<b>27,184</b>	<b>472</b>	<b>(1,851)</b>	<b>(2,300)</b>	<b>(17)</b>	<b>0</b>	<b>23,488</b>

Increases in the items "Concessions, licences and trademarks" relate to purchases of software usage licences.

The other intangible assets mainly relate to customer relationships and intangible assets associated with variable commission arising from the allocation of the residual value of FIMIT SGR on the date of the (reverse) merger into FARE SGR (now DeA Capital Real Estate SGR). At 31 December 2017, the intangible assets identified as customer relationships were valued at EUR 1,798 thousand (EUR 3,105 thousand at 31 December 2016), while those associated with variable commission were EUR 20,600 thousand (EUR 22,900 thousand at 31 December 2016). This value is based on the discounting to present values of fixed management fees (for customer relationships) and variable fees calculated net of directly applicable costs on the basis of the most recent business plans of the funds under management.

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

The impairment test of these intangible assets, which had a carrying amount of EUR 20.6 million (compared with an original value of EUR 68.7 million), was carried out, determining the value in use as the current value of the flows of variable commission expected from the company's managed funds (using DCF, or discounted cash flow methodology) with reference to the period by which they were expected to materialise (2018-2022).

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

The valuation, based on a cost of capital of +9.3%, produced a recoverable value for the relevant intangible assets of EUR 23.3 million, in line with the carrying value of EUR 20.6 million, as already revised during the year following an impairment charge of EUR 2,300 thousand (of which EUR 808 thousand relates to the Group).

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of the intangible asset item of variable commission relating to DeA Capital Real Estate SGR, i.e. the cost of capital and the probability weighting that said variable commission will be obtained, leads to a potential change in the carrying value of EUR -0.6/+0.6 million (for changes of +0.5% and -0.5% in the cost of capital) and EUR -2.7/+2.7 million (for changes of -10% and +10% in the probability that the variable commission will be obtained).

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

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

### **1c - Tangible assets**

Changes in tangible assets are shown in the tables below:

(EUR thousand)	Historical cost at 1.1.2017	Cum. amort. & write-downs at 1.1.2017	Net carrying value at 1.1.2017	Historical cost at 31.12.2017	Cum. amort. & write-downs at 31.12.2017	Net carrying value at 31.12.2017
Leasehold improvements	3,557	(2,051)	<b>1,506</b>	3,563	(2,589)	<b>974</b>
Furniture and fixtures	1,729	(1,248)	<b>481</b>	1,748	(1,428)	<b>320</b>
Computer and office equipment	1,198	(1,051)	<b>147</b>	1,110	(951)	<b>159</b>
Company vehicles	240	(234)	<b>6</b>	193	(193)	<b>0</b>
Plant	17	(12)	<b>5</b>	17	(12)	<b>5</b>
Other assets	377	(377)	<b>0</b>	303	(303)	<b>0</b>
<b>Total</b>	<b>7,118</b>	<b>(4,973)</b>	<b>2,145</b>	<b>6,934</b>	<b>(5,476)</b>	<b>1,458</b>

(EUR thousand)	Balance at 1.1.2017	Acquisitions	Deprecetions	Reclassif.	Decreases	Change in consolidation area	Balance at 31.12.2017
Leasehold improvements	1,506	6	(538)	0	0	0	974
Furniture and fixtures	481	20	(180)	0	(1)	0	320
Computer and office equipment	147	87	(73)	0	(2)	0	159
Company vehicles	6	0	(6)	0	0	0	0
Plant	5	1	(1)	0	0	0	5
Other assets	0	0	0	0	0	0	0
<b>Total</b>	<b>2,145</b>	<b>114</b>	<b>(798)</b>	<b>0</b>	<b>(3)</b>	<b>0</b>	<b>1,458</b>

The item "Leasehold improvements", totalling EUR 974 thousand, mainly relates to improvements made to the building at Via Brera 21 in Milan, which has been leased to the DeA Capital Group since 2013.

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

The depreciation rates used in 2017 were 20% for specific plant assets, 12% for furniture and furnishings, 20% for electronic office machines, 20% for company vehicles and 15% for leasehold improvements.

## 2 - Financial investments

Financial investments in companies and funds constitute the Group's typical activities. These investments rose from EUR 367,508 thousand at 31 December 2016 to EUR 326,618 thousand at end-2017.

### 2a - Investments in associates

This item, which totalled EUR 29,293 thousand at 31 December 2017 (EUR 33,449 thousand at 31 December 2016), relates to the assets below:

1. Units in the Venere fund, which are valued at EUR 7,184 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2017 (EUR 11,239 thousand at 31 December 2016).

The decrease compared with 31 December 2016 relates to the pro rata portion of distributions net of capital calls, totalling EUR -3,857 thousand, and the pro-rata portion of the net loss for the period, totalling EUR -185 thousand.

In March 2017, the Group completed the early liquidation of the Atlantic Value Added fund (AVA), managed by DeA Capital Real Estate SGR, which involved the distribution in kind of the units held in the Venere fund (as well as the distribution of the remaining liquidity). As a result of the transaction, therefore, DeA Capital S.p.A. directly holds 9.1% of the Venere fund, which is managed by DeA Capital Real Estate SGR and has no remaining commitments.

2. The interest in Innovation Real Estate (IRE), which was valued at EUR 5,625 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2017 (EUR 5,312 thousand at 31 December 2016). The increase compared with 31 December 2016 is due to the combination of the pro rata portion of the dividend paid out, totalling EUR -608 thousand, and the pro-rata portion of the net profit for the period, totalling EUR +946 thousand.

3. Units in the IDeA EESS fund, which are valued at approximately EUR 16,484 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2017 (EUR 16,898 thousand at 31 December 2016).

The decrease compared with 31 December 2016 relates to the combination of the pro rata portion of distributions net of capital calls, totalling EUR -3,551 thousand, and the pro-rata portion of the net profit for the period, totalling EUR 3,137 thousand.

The table below provides details of the investments held in associates at 31 December 2017 by business:

(EUR million)	Private Equity Investment	Alternative Asset Management	Total
IDeA EESS fund	16.5	0.0	16.5
Venere fund	2.4	4.8	7.2
IRE group	0.0	5.6	5.6
<b>Total</b>	<b>18.9</b>	<b>10.4</b>	<b>29.3</b>

The table below summarises details of the financial information relating to Innovation Real Estate (IRE) and the IDeA EESS fund, and Venere based on the reporting package prepared in accordance with the accounting principles used by the DeA Capital Group at 31 December 2017:

(EUR thousand)	Innovation Real Estate 2017	IDeA EESS 2017	Venere 2017
Revenues	19,608	0	2,224
Net profit/(loss) for the year	2,102	10,319	(680)
Other profit/(loss), net of tax effect	(48)	0	0
<b>Total comprehensive profit/(loss) for the year</b>	<b>2,054</b>	<b>10,319</b>	<b>(680)</b>
<b>Total comprehensive profit/(loss) for the year attributable to minorities</b>	<b>1,130</b>	<b>7,182</b>	<b>(495)</b>
<b>Total comprehensive profit/(loss) for the year attributable to Group</b>	<b>924</b>	<b>3,137</b>	<b>(185)</b>
<hr/>			
(EUR thousand)	31.12.2017	31.12.2017	31.12.2017
Current assets	29,077	6,784	4,496
Non-current assets	9,346	49,010	23,153
Current liabilities	(22,578)	(1,571)	(1,304)
Non-current liabilities	(6,420)	0	0
<b>Net assets</b>	<b>9,425</b>	<b>54,223</b>	<b>26,345</b>
<b>Net assets attributable to minorities</b>	<b>5,184</b>	<b>37,739</b>	<b>19,161</b>
<b>Net assets attributable to the Group</b>	<b>4,241</b>	<b>16,484</b>	<b>7,184</b>
<hr/>			
(EUR thousand)	31.12.2017	31.12.2017	31.12.2017
Net initial assets attributable to the Group	3,928	16,898	11,239
Total comprehensive profit/(loss) for the year attributable to Group	924	3,137	(185)
Capital call/(Distribution)	0	(3,551)	(3,857)
<i>Dividends received in the period</i>	(608)	0	0
Other	(3)	0	(13)
Net final assets attributable to minorities	4,241	16,484	7,184
Goodwill	1,384	0	0
<b>Book value of associate company</b>	<b>5,625</b>	<b>16,484</b>	<b>7,184</b>
<b>Dividends paid to minorities during the year</b>	<b>(743)</b>	<b>0</b>	<b>0</b>

## 2b - Investments held by funds

At 31 December 2017, the DeA Capital Group was a minority shareholder, through the IDeA OF I fund, in Giochi Preziosi, Elemaster, Iacobucci HF Electronics, Pegaso Transportation Investments (Talgo) and 2IL Orthopaedics LTD (Corin). The latter three companies were measured at fair value with changes recognised in the Income Statement pursuant to IAS 28.18.

This item, which totalled EUR 48,583 thousand at 31 December 2017 (EUR 84,084 thousand at 31 December 2016), relates to the assets below:

(EUR million)	31.12.2017
<b>Investments in Portfolio</b>	
Giochi Preziosi	5.2
Elemaster	8.5
<b>Investments available for sale</b>	
Iacobucci HF Electronics	6.0
Pegaso Transportation Investments (Talgo)	14.1
2IL Orthopaedics LTD (Corin)	14.8
<b>Investments in associates and JV valued at FV through P&amp;L</b>	
<b>Total Investments in Portfolio</b>	<b>48.6</b>

The decrease of EUR -35.5 million compared with the balance at 31 December 2016 mainly reflects the liquidation of Lauro Cinquantasette and the sale of Manutencoop Facility Management (recorded at EUR 15.3 million and EUR 18.9 million, respectively, in the financial statements at 31 December 2016).

In 2017, IDeA OF I received EUR 14.3 million from the liquidation of the Lauro Cinquantasette vehicle, holder of the interest in AMRI, which was sold via a takeover bid launched by the Carlyle and GTCR funds and completed in August 2017. Note that the shares held in **AMRI** came from the sale to the company of the stake previously held in **Euticals**.

Meanwhile, in 2017, the IDeA OF I fund received reimbursements totalling EUR 24.6 million for the investment in **Manutencoop**, of which EUR 18.9 million related to the sale of the stake held in the company and EUR 4.5 million as reimbursement on an existing loan of EUR 1.2 million with the company in the form of a dividend. Lastly, Manutencoop issued a new vendor note of EUR 3.8 million in favour of the IDeA OF I fund, which is classified under "Other non-current assets" (Note 3c).

### **2c - Available-for-sale investments in other companies**

At 31 December 2017, the DeA Capital Group was a minority shareholder in Kenan Investments (the indirect parent company of Migros) and the special purpose acquisition companies (SPAC) Crescita and IDeaMI; it also held other minor interests.

At 31 December 2017, the item totalled EUR 78,953 thousand compared with EUR 67,166 thousand at 31 December 2016.

The table below provides details of equity investments in other companies at 31 December 2017 by business.

(EUR million)	Private Equity Investment	Alternative Asset Management	Total
Kenan Investments	45.6	0.0	45.6
Crescita	8.2	0.0	8.2
IDeaMI	25.0	0.0	25.0
Minority interests	0.2	0.0	0.2
<b>Total</b>	<b>79.0</b>	0.0	<b>79.0</b>

The investment in **Kenan Investments** ("Kenan") is recorded in the Consolidated Financial Statements for the Year Ending 31 December 2017 at EUR 45.6 million (compared with EUR 66.9 million at 31 December 2016).

The change compared with 31 December 2016 is the combined effect of:

- net proceeds (EUR 17.8 million) realised on 1 June 2017 following the completion of transactions relating to the exercise of the put option by Kenan on a 9.75% stake in Migros;
- net proceeds (EUR 12.2 million) realised on 18 December 2017 following the completion of the sale by Kenan of a further 7.3% stake in Migros;
- an increase in the fair value reserve (EUR +8.7 million) due to the combined effect of the rise in the price per share (27.56 TRY per share at 31 December 2017, versus 17.58 TRY per share at 31 December 2016), and the devaluation of the Turkish lira against the euro (4.55 TRY/EUR at 31 December 2017, versus 3.72 TRY/EUR at 31 December 2016).

As a result of the above transactions, which resulted in a capital gain of approximately EUR 4.5 million on the Consolidated Income Statement, Kenan Investments' stake in Migros came to around 23.2%, via the DeA Capital Group's indirect pro-rata interest of approximately 4.0%.

The investment in **Crescita** is recorded in the Consolidated Financial Statements for the Year Ending 31 December 2017 at EUR 8.2 million, with an increase in fair value of EUR +0.4 million compared with the initial investment of EUR 7.8 million. The investment in "Crescita", a SPAC with shares traded on the Italian stock exchange from 15 March 2017, was completed by DeA Capital in March 2017. The portion acquired equates to 5.8% of the ordinary shares and 9.2% of the preference shares; the latter can be converted into a maximum of six ordinary shares each, subject to the achievement of certain objectives.

The investment in **IDeaMI** is reported in the Consolidated Financial Statements for the Year Ending 31 December 2017 at EUR 25 million, in line with the initial investment.

The investment in "**IDeaMI**", a SPAC with ordinary shares and warrants traded on AIM Italia since 11 December 2017, was completed by DeA Capital as part of the private placement prior to its admission to trading on AIM Italia. As part of the placement, Banca IMI and DeA Capital subscribed to ordinary shares, in equal parts, for a total of EUR 41.250 million, corresponding to 4,125,000 ordinary shares of IDeaMI, or 16.50% of the funds raised. Banca IMI and DeA Capital also hold, in equal parts, 875,000 special shares for a total of EUR 8.75 million, or 3.5% of the funds raised.

The value of minor equity investments mainly relates to a minority shareholding in Harvip.

The DeA Capital Group is also a shareholder in three companies – Elixir Pharmaceuticals Inc., Kovio Inc. and Stepstone Acquisition Sàrl – which are not included in the investment portfolio as they are either dormant or in liquidation, and have zero value.

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

## 2d - Available-for-sale funds

This item relates to investments in units of three funds of funds (IDeA I FoF, ICF II and ICF III with three sub-funds), two theme funds (IDeA ToI and IDeA CCR I with two sub-funds), six venture capital funds and 11 real estate funds, totalling EUR 169,776 thousand at end-2017, compared with EUR 182,787 thousand at end-2016.

In December 2017, DeA Capital Alternative Funds SGR also launched the IDeA Corporate Credit Recovery II fund, the second debtor-in-possession financing fund, which aims to help relaunch medium-sized Italian companies that are facing financial difficulties but have solid business fundamentals.

The table below shows changes to the funds during 2017.

(EUR thousand)	Balance at 1.1.2017	Increases (Capital call)	Decreases (Capital distribution)	Impairment	Fair value adjustment	Translation effect	Balance at 31.12.2017
Venture capital funds	9,488	0	(180)	(58)	(111)	(540)	8,599
IDeA I FoF	69,015	1,235	(17,003)	0	(3,785)	0	49,462
ICF II	47,000	714	(11,257)	0	1,489	0	37,946
ICF III Core	520	120	0	0	12	0	652
ICF III Credit & Distressed	2,897	145	0	0	(147)	0	2,895
ICF III Emerging Markets	3,489	923	0	0	(17)	0	4,395
IDeA ToI	5,196	5,218	0	0	10,244	0	20,658
IDeA CCR I CD	75	0	(9)	0	(1)	0	65
IDeA CCR I NF	0	1,825	(253)	0	(55)	0	1,517
Santa Palomba	402	0	0	0	24	0	426
DeA Capital Real Estate SGR funds	44,705	0	(3,639)	(436)	2,531	0	43,161
<b>Total funds</b>	<b>182,787</b>	<b>10,180</b>	<b>(32,341)</b>	<b>(494)</b>	<b>10,184</b>	<b>(540)</b>	<b>169,776</b>

The table below provides a breakdown of the funds in the portfolio at 31 December 2017 by business:

(EUR million)	Private Equity Investment	Alternative Asset Management	Total
Venture capital funds	8.6	0.0	8.6
IDeA I FoF	49.5	0.0	49.5
ICF II	37.9	0.0	37.9
ICF III	7.9	0.0	7.9
IDeA ToI	20.7	0.0	20.7
IDeA CCR I	1.6	0.0	1.6
Santa Palomba	0.4	0.0	0.4
DeA Capital Real Estate SGR funds	0.0	43.2	43.2
<b>Total funds</b>	<b>126.6</b>	<b>43.2</b>	<b>169.8</b>

The financial assets relating to units of funds managed by DeA Capital Real Estate SGR are considered long-term investments. These financial assets include:

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

### 3 - Other non-current assets

#### 3a - Deferred tax assets and deferred tax liabilities

The balance on the item "deferred tax assets" totalled EUR 2,173 thousand (EUR 1,992 thousand at 31 December 2016) and comprises the value of deferred tax assets minus deferred tax liabilities, where they may be offset.

The balance on the item "deferred tax liabilities" totalled EUR -8,049 thousand at 31 December 2017 (EUR -8,588 thousand at 31 December 2016).

This item includes the deferred tax liabilities of DeA Capital Real Estate SGR, amounting to EUR -7,842 thousand (EUR -8,383 thousand at 31 December 2016), which mainly comprise the balancing entry for deferred tax assets relating to variable commission of EUR -6,092 thousand recorded under intangible assets at 31 December 2017. The decrease from the balance at 31 December 2016 of EUR -6,772 thousand was due to the release of EUR 680 thousand to the Income Statement, which was mainly due to impairment on final variable commission recorded under intangible assets of EUR 2,300 thousand.

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

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

(EUR thousand)	Balance at 1.1.2017	Recognised in income statement	Recognised in equity	Change in consolidation area	Compensation/ other movements	Balance at 31.12.2017
<i>Deferred tax assets for:</i>						
- personnel costs	965	25	16	0	(351)	655
- other	1,027	140	0	0	351	1,518
Losses carried forward available for offset against future taxable profits						
	0	0	0	0	0	0
<b>Total deferred tax assets</b>	<b>1,992</b>	<b>165</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>2,173</b>
<i>Deferred tax liabilities for:</i>						
- available-for-sale financial assets / Other	(1,816)	71	(191)	0	(41)	(1,977)
- TFR discounting IAS	0	0	(21)	0	41	20
- intangible assets	(6,772)	680	0	0	0	(6,092)
<b>Total deferred tax liabilities</b>	<b>(8,588)</b>	<b>751</b>	<b>(212)</b>	<b>0</b>	<b>0</b>	<b>(8,049)</b>
<b>Total deferred tax assets</b>	<b>1,992</b>					<b>2,173</b>
<b>Total deferred tax liabilities</b>	<b>(8,588)</b>					<b>(8,049)</b>

No further deferred tax assets were allocated against the significant tax losses of DeA Capital S.p.A. (of which around EUR 108,074 thousand is fully usable and about EUR 879 thousand partly usable, i.e. the whole amount cannot be transferred to the tax consolidation scheme) as there was insufficient information to suggest that taxable income could be generated in future periods against which such tax losses could be recovered.

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

#### 3b - Loans and receivables

This item totalled EUR 684 thousand at 31 December 2017, compared with EUR 960 thousand at 31 December 2016.

### **3c - Other non-current assets**

The item, which totalled EUR 5,403 thousand at 31 December 2017 versus EUR 30,147 thousand at 31 December 2016, comprises an amount of EUR 3,788 thousand (EUR 8,122 thousand at 31 December 2016) relating to a receivable belonging to the IDeA OF I fund for the sale of 1% of Manutencoop. In 2017, IDeA OF I collected EUR 4.5 million as reimbursement on an existing loan with Manutencoop. Lastly, Manutencoop issued a new vendor note of EUR 3.8 million in favour of the IDeA OF I fund.

The balance at 31 December 2016 included an amount of EUR 20,326 thousand relating to the receivable due from the Beta Immobiliare fund for final variable commission; this is now classified, in an amount of EUR 13,440 thousand, in "Other Receivables" under Current Assets (Note 4f).

## **4 - Current assets**

### **4a - Trade receivables**

Trade receivables totalled EUR 16,069 thousand at 31 December 2017, compared with EUR 11,191 thousand at 31 December 2016. The balance mainly comprises receivables belonging to DeA Capital Real Estate SGR, of EUR 12,182 thousand (EUR 8,798 thousand at 31 December 2016); these are essentially receivables from managed funds for commission due but not yet received.

The table below shows the maturities of the DeA Capital Group's outstanding trade receivables at 31 December 2017:

(EUR thousand)	Not expired	expired				Total
		less than 90 days	Between 90 days and 180 days	Between 180 days and 360 days	More than 360 days	
2017	6,183	1,163	2,579	1,329	4,815	<b>16,069</b>
	39%	7%	16%	8%	30%	<b>100%</b>

For details of transactions with related parties, see the appropriate section of the report (Transactions with parent companies, subsidiaries and related parties).

### **4b - Available-for-sale financial assets**

At 31 December 2017, this item totalled EUR 4,385 thousand, compared with EUR 4,242 thousand at 31 December 2016, and relates to the portfolio of government securities and corporate bonds held by DeA Capital Alternative Funds SGR.

### **4c - Financial receivables**

At 31 December 2017, this item totalled EUR 578 thousand (EUR 2,715 thousand at 31 December 2016) and relates to the receivable due from the purchasers of the majority stake in IRE relating to the long-term portion of the deferred purchase price, maturing in April 2018 (amount unchanged on 31 December 2016).

The balance at 31 December 2016 also included an amount relating to the revolving loan agreement, of up to EUR 5 million, in favour of Sigla S.r.l., which was paid off in 2017.

### **4d - Tax receivables relating to the tax consolidation scheme entered into by the parent companies**

This item totalled EUR 1,055 thousand at 31 December 2017 (EUR 2,282 thousand at 31 December 2016) and relates to the receivable from the Parent Company De Agostini S.p.A. for the participation of DeA Capital S.p.A. and DeA Capital Partecipazioni in the tax consolidation scheme.

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

The option for DeA Capital S.p.A. is irrevocable for the three-year period 2017-2019, and for DeA Capital Alternative Funds SGR for the three-year period 2015-2017. For DeA Capital Partecipazioni, the option is irrevocable for the three-year period 2016-2018.

#### **4e - Other tax receivables**

At 31 December 2017, this item totalled EUR 11,272 thousand, compared with EUR 9,190 thousand at 31 December 2016. It mainly includes:

- a VAT receivable due to DeA Capital Real Estate SGR of EUR 9,347 thousand (EUR 4,615 thousand at 31 December 2016), comprising the positive balance from the sale of monthly VAT payables and receivables by the managed funds;
- a receivable of EUR 241 thousand arising from VAT settlements for 2017 relating to DeA Capital S.p.A. (EUR 547 thousand at 31 December 2016);
- a receivable of EUR 359 thousand (unchanged from 31 December 2016) arising from a ruling by the Milan Commissione Tributaria Provinciale (provincial tax commission) on tax inspections for the tax periods 2009/2010 recorded for IDeA Alternative Investments S.p.A. (a company merged by incorporation into DeA Capital S.p.A. with effect from 1 January 2012), against which the Company filed an appeal;
- an IRAP receivable of EUR 632 thousand (EUR 545 thousand at 31 December 2016) due to DeA Capital Alternative Funds SGR, relating to advance payments made during the year.

#### **4f - Other receivables**

This item, which totalled EUR 16,866 thousand at 31 December 2017 (EUR 3,976 thousand at 31 December 2016), includes receivables for guarantee deposits, advances to suppliers, prepaid expenses and other receivables (relating to the management of VAT positions) due from the funds managed by DeA Capital Real Estate SGR. The item includes a receivable of EUR 13,440 thousand (EUR 20,326 thousand at 31 December 2016 due from the Beta Immobiliare fund for final variable commission classified in "Other non-current assets" – Note 3c). The carrying value was calculated according to the provisions of the operating regulations of the Beta Immobiliare fund, taking into account the NAV shown in the fund management report for the year ending 31 December 2017. This receivable corresponds to the portion of the overperformance commission accrued since the start of the fund's operations, which the asset management fund will receive when liquidated, but only if certain conditions are met. During 2017, this receivable suffered impairment and was written down by EUR 6,886 thousand.

The other receivables fall due within the next year.

#### **4g - Cash and cash equivalents**

This item comprises bank deposits and cash, including interest accrued to 31 December 2017. At 31 December 2017, the item totalled EUR 127,916 thousand compared with EUR 96,438 thousand at 31 December 2016. Cash and cash equivalents at end-2017 include an amount of EUR 4,479 thousand of "restricted cash" relating to withholding tax deductions made by DeA Capital Alternative Funds SGR in respect of holders of units in the IDeA I FoF fund.

Please see the Consolidated Cash Flow Statement for further information on changes to this item.

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

#### **4h - Held-for-sale assets**

At 31 December 2016, this item consisted of the investment in Sigla Luxembourg S.A. of EUR 11,487 thousand.

In December 2017, Sigla Luxembourg S.A. completed the sale of the 100% holdings in Sigla and SiCollection to Alchemy Special Opportunities Fund. The transaction generated proceeds of EUR 11,548 thousand for the DeA Capital Group and a capital gain of EUR 682 thousand in the Consolidated Income Statement, associated to a large extent with the "transfer" to the Income Statement of fair value reserves that already existed at 31 December 2016. Sigla Luxembourg S.A. was in liquidation at 31 December 2017.

## 5 - Shareholders' equity

At 31 December 2017, Group shareholders' equity was EUR 489,431 thousand, compared with EUR 529,203 thousand at 31 December 2016.

The decrease of EUR -39,772 thousand in Group shareholders' equity was mainly due to the extraordinary dividend paid (EUR -31,157 thousand), to the reasons already discussed in the Statement of Performance – IAS 1 (EUR -2,708 thousand) and the impact of the treasury share purchase plan (EUR -8,042 thousand).

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

### 5a - Share capital

The share capital (fully subscribed and paid up) totalled EUR 306,612,100, represented by 306,612,100 shares (of which 50,942,428 treasury shares in the portfolio at 31 December 2017) with a nominal value of EUR 1 each.

Share capital of EUR 255,669,672 was reported in the Financial Statements, after deduction of the nominal value of the above-mentioned treasury shares held at 31 December 2017.

Changes in share capital are shown in the table below:

(EUR thousand)	31.12.2017		31.12.2016	
	No. of shares	amount	No. of shares	amount
<b>Share capital</b>	<b>306,612,100</b>	<b>306,612</b>	<b>306,612,100</b>	<b>306,612</b>
of which: Own shares	(50,942,428)	(50,942)	(45,404,954)	(45,405)
<b>Share capital (excluding own shares)</b>	<b>255,669,672</b>	<b>255,670</b>	<b>261,207,146</b>	<b>261,207</b>

The table below shows a reconciliation of the shares outstanding:

	Shares issued	Own shares in portfolio	Shares in issue
<b>Shares at 31 December 2016</b>	<b>306,612,100</b>	<b>(45,404,954)</b>	<b>261,207,146</b>
<i>Changes in 2017</i>			
Share capital increase	0	0	0
Own shares purchased	0	(6,018,045)	(6,018,045)
Own shares sold	0	0	0
Own shares disposed of	0	0	0
Used for stock options plan	0	480,571	480,571
Shares issued for stock options	0	0	0
<b>Shares at 31 December 2017</b>	<b>306,612,100</b>	<b>(50,942,428)</b>	<b>255,669,672</b>

### 5b - Share premium reserve

This item decreased by EUR -32,927 thousand (from EUR 267,640 thousand at 31 December 2016 to EUR 234,713 thousand at 31 December 2017) after the distribution of dividends (EUR -31,157 thousand), the purchase of treasury shares (EUR -2,024 thousand) and the exercise of stock options and performance shares by the Company's management (EUR +254 thousand).

Changes in the share premium reserve during 2017 are shown in the table below (figures in euro):

(EUR)	Share premium reserve	Own shares in portfolio	Costs relating to share issue	Total
<b>Shares at 31 December 2016</b>	<b>302,781,857</b>	<b>(27,313,518)</b>	<b>(7,828,172)</b>	<b>267,640,167</b>
<i>Changes in 2017</i>				
Share capital increase	0	0	0	0
Distribution of dividends	(31,156,647)	0	0	(31,156,647)
Own shares purchased	0	(2,024,644)	0	(2,024,644)
Own shares disposed of	0	0	0	0
Used for stock options plan	0	0	0	0
Shares issued for stock options	0	254,409	0	254,409
<b>Shares at 31 December 2017</b>	<b>271,625,210</b>	<b>(29,083,753)</b>	<b>(7,828,172)</b>	<b>234,713,285</b>

### 5c - Legal reserve

This reserve, which was unchanged compared with 31 December 2016, totalled EUR 61,322 thousand at 31 December 2017.

### 5d - Fair value reserve

The fair value reserve at 31 December 2017 was positive at EUR 77,009 thousand (EUR 67,842 thousand at 31 December 2016) and comprises the items below:

(EUR thousand)	Balance at 1.1.2017	Change in Fair Value	Tax Effect	Other movements	Balance at 31.12.2017
Direct Investments / Shareholdings	3,668	3,507	0	0	7,175
Funds	64,174	7,120	(1,674)	214	69,834
<b>Total</b>	<b>67,842</b>	<b>10,627</b>	<b>(1,674)</b>	<b>214</b>	<b>77,009</b>

The adjustment to fair value, net of the related tax effect, is reflected in the Statement of Performance and is mainly due to the increase in fair value of IDeA Taste of Italy (EUR +8,106 thousand, net of the tax effect), excluding the decrease in IDeA I FoF (EUR -2,877 thousand, net of the tax effect).

### 5e - Other reserves

Other reserves totalled EUR -10,536 thousand at 31 December 2017 (EUR -11,661 thousand at 31 December 2016) and comprise:

- a reserve for stock option costs totalling EUR +1,689 thousand;
- a reserve for the sale of option rights, unchanged from 31 December 2016, totalling EUR +413 thousand. This originated from the sale of the remaining option rights to subscribe to a capital increase that had not been exercised by the shareholders, which were sold by the Company;
- other reserves that are negative at EUR -9,247 thousand, unchanged on 31 December 2016, relating to the associate Santé, chiefly for the pro-rata reclassification of the minority interests in Santé connected with the 2008-2009 extraordinary dividend distribution by Générale de Santé, and changes in 2010-2012;
- other reserves of EUR -3,391 thousand.

### 5f - Retained earnings (losses) carried forward

This item totalled EUR -117,095 thousand at 31 December 2017, compared with EUR -129,574 thousand at 31 December 2016.

The overall increase of EUR 12,479 thousand was mainly due to the allocation of the profit for 2016 (EUR +12,427 thousand).

### 5g - Profit (loss) for the year

The loss for the year of EUR -11,652 thousand is the consolidated result attributable to the Group for 2017 (profit of EUR +12,427 thousand in 2016).

## 5h - Minority interests

This item, which totalled EUR 95,182 thousand at 31 December 2017 (EUR 131,844 thousand at 31 December 2016) relates to the minority interest portion of shareholders' equity resulting from the line-by-line consolidation of DeA Capital Real Estate SGR, the IDeA OF I fund and SPC.

The decrease of EUR -36,662 thousand compared with the balance at 31 December 2016 relates to:

- distributions (net of capital calls) of the IDeA OF I fund of EUR -19,532 thousand;
- the events recorded in the Statement of Performance, totalling EUR -14,927 thousand;
- dividends paid out by DeA Capital Real Estate S.p.A., totalling EUR -1,808 thousand.

The table below summarises details of the financial information of DeA Capital Real Estate SGR and IDeA OF I, before elimination of the intercompany relationships with the Group's other companies, at 31 December 2017.

(EUR thousand)	DeA Capital Real Estate SGR		IDeA OF I fund	
	2017	2016	2017	2016
Management fees	41,381	40,261	0	0
Net profit/(loss) for the year	(31,999)	1,213	725	2,296
<b>Total comprehensive profit/(loss) for the year</b>	<b>13,463</b>	<b>(806)</b>	<b>384</b>	<b>1,217</b>
Other profit/(loss), net of tax effect	664	3,627	(2,274)	(543)
<b>Total comprehensive profit/(loss) for the year attributable to minorities</b>	<b>(31,335)</b>	<b>4,840</b>	<b>(1,549)</b>	<b>1,753</b>
<b>Total comprehensive profit/(loss) for the year attributable to minorities</b>	<b>13,700</b>	<b>489</b>	<b>(821)</b>	<b>929</b>

(EUR thousand)	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Current assets	48,417	30,175	178	136
Non-current assets	150,562	200,107	54,050	93,886
Current liabilities	(20,499)	(14,870)	(71)	(22)
Non-current liabilities	(10,204)	(10,738)	0	0
<b>Net assets</b>	<b>168,275</b>	<b>204,674</b>	<b>54,157</b>	<b>94,000</b>
<b>Net assets attributable to minorities</b>	<b>66,640</b>	<b>82,031</b>	<b>28,708</b>	<b>49,829</b>

(EUR thousand)	2017	2016	2017	2016
Cash Flow from operating activities	13,400	(7,395)	18,617	(1,139)
Cash Flow from investment activities	(585)	(234)	0	0
Cash Flow from financial activities	(1,808)	(1,937)	(18,581)	(2,141)
<b>Book value of associate company</b>	<b>11,007</b>	<b>(9,566)</b>	<b>36</b>	<b>(3,280)</b>
<b>Dividends paid to minorities during the period</b>	<b>(1,808)</b>	<b>(1,937)</b>	<b>(20,607)</b>	<b>(10,045)</b>

## 6 - Non-current liabilities

### 6a - End-of-service payment fund

This item totalled EUR 4,204 thousand at 31 December 2017 versus EUR 4,016 thousand at 31 December 2016.

The end-of-service payment fund (TFR) is a defined benefit plan, and as such was measured using actuarial methodology. This resulted in a liability calculated in demographic and financial terms on amounts owed to workers according to the number of years worked. The total present value of the liability is proportioned to the period of employment already completed at the calculation date, taking account of future salary increases and the employee's projected length of service.

Future TFR flows were discounted to the reporting date, using independent actuaries, based on the projected unit credit method. The valuation assumptions use an annual average discount rate that takes the iBoxx Eurozone Corporates AA 10+ index as a benchmark, maintaining this parameter constant compared with previous valuations.

Changes in TFR in 2017 are shown in the table below:

(EUR thousand)	Balance at 1.1.2017	Portion matured	Payments	Advances	Change in consolidation area	Balance at 31.12.2017
<b>Movement in end-of-service payment fund</b>	<b>4,016</b>	<b>900</b>	<b>(604)</b>	<b>(108)</b>	<b>0</b>	<b>4,204</b>

The amounts recognised in the item were calculated as follows:

(EUR thousand)	31.12.2017	31.12.2016
Nominal value of end-of-service payment fund	3,720	3,404
Discounting effect	484	612
<b>Current value of end-of-service payment fund</b>	<b>4,204</b>	<b>4,016</b>

## 7 - Current liabilities

Current payables amounted to EUR 34,783 thousand at 31 December 2017 (EUR 26,979 thousand at 31 December 2016) and are all due within the following year. These payables are not secured on any company assets.

### 7a - Trade payables

Payables to suppliers totalled EUR 6,594 thousand at 31 December 2017, compared with EUR 6,019 thousand at 31 December 2016.

For details of transactions with related parties, see the appropriate section of the report (Transactions with parent companies, subsidiaries and related parties).

Trade payables do not accrue interest and are settled, on average, within 30 to 60 days.

### 7b - Payables in respect of staff and social security organisations

Payables to staff and social security organisations totalled EUR 8,330 thousand at 31 December 2017, compared with EUR 7,033 thousand at 31 December 2016, and are largely due to:

- payables to social security organisations of EUR 1,210 thousand (EUR 1,391 thousand at 31 December 2016), paid after the close of the financial year 2017, with the exception of payables for social security liabilities calculated on accrued bonuses;
- payables to employees and directors of EUR 6,649 thousand (EUR 5,309 thousand at 31 December 2016) for holidays not taken and accrued bonuses.

### **7c - Current tax payables**

Current tax payables totalled EUR 1,998 thousand at 31 December 2017 (EUR 2,941 thousand at 31 December 2016) and are mainly due to the payable of EUR 1,131 thousand (EUR 1,903 thousand at 31 December 2016) to the Parent Company De Agostini S.p.A. from DeA Capital Alternative Funds SGR relating to its participation in the tax consolidation scheme.

### **7d - Other tax payables**

Other tax payables totalled EUR 5,564 thousand at 31 December 2017, compared with EUR 1,429 thousand at 31 December 2016, and break down as follows:

- EUR 4,497 thousand for the payable due to the Investitori Associati IV fund for tax deductions made by DeA Capital Alternative Funds SGR as withholding tax agent;
- EUR 947 thousand (EUR 1,080 thousand at 31 December 2016) for payables due to the tax authorities in respect of taxes deducted from the income of employees and self-employed staff paid after the close of 2017.

### **7e - Other payables**

This item, which totalled EUR 12,097 thousand at 31 December 2017 (EUR 8,335 thousand at 31 December 2016), relates to an amount of EUR 11,733 thousand (EUR 8,107 thousand at 31 December 2016) due to DeA Capital Real Estate SGR and to other payables (relating to the management of VAT positions) totalling EUR 10,675 thousand (EUR 7,020 thousand at 31 December 2016) due to the funds managed by DeA Capital Real Estate SGR.

### **7f - Short-term financial payables**

This item, which totalled EUR 200 thousand at 31 December 2017 (EUR 1,222 thousand at 31 December 2016) relates to the additional earn-out associated with the acquisition of the business division Duemme (amount unchanged on 31 December 2016) by DeA Capital Real Estate SGR.

The balance at 31 December 2016 also included EUR 896 thousand relating to SPC's bank exposure.

## **Contingent liabilities**

IAS 37 defines a contingent liability as an obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Company must assess the risk deriving from the contingent liability and must recognise the related risk provision only if it considers such risk to be possible or probable.

The Company considers the risk for the following contingent liabilities to be remote and therefore did not make any accounting entries; however, it has made the following disclosures.

On 17 December 2014, DeA Capital S.p.A. received an assessment notice for the 2009 tax period relating to IDeA Alternative Investments S.p.A., a company which was merged into DeA Capital S.p.A. with effect from 1 January 2012. The assessment, which alleged that revenues had been under-reported, was challenged in an appeal by DeA Capital before the Milan Provincial Tax Court.

Subsequently, on 10 November 2015, DeA Capital S.p.A. received another assessment notice relating to IDeA Alternative Investments S.p.A. for the 2010 tax period. The assessment alleged that revenues had been under-reported and that spin-off costs had been unduly deducted. This assessment was also challenged in an appeal by DeA Capital before the Milan Provincial Tax Court.

On 14 November 2016, the Milan Provincial Tax Court accepted the appeals filed regarding the alleged under-reporting of revenues for the years 2009/2010 in full and the appeal regarding the spin-off costs in part. The contingent liability – not recorded by the Company as it was deemed unlikely – which could derive from the fact that the latter appeal was only partially accepted is EUR 74 thousand, taking into account fines and interest).

On 14 June 2017, the Tax Authority – Provincial Division of Milan filed an appeal with the Regional Tax Court of Lombardy against the first instance ruling on the dispute in question, resubmitting all the findings initially formulated. The Regional Tax Court of Lombardy heard the dispute in question on 23 February 2018. The outcome of the hearing was not available at the time the Financial Statements were prepared.

# Income statement

## 8 - Alternative asset management fees

Alternative asset management fees in 2017 were EUR 57,944 thousand compared with EUR 59,114 thousand in 2016.

These fees mainly relate to management fees paid to DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR (see the table below) for the funds they manage.

(EUR thousand)	2017	2016
DeA Capital Alternative Funds SGR (*)	16.5	18.8
DeA Capital Real Estate SGR	41.4	40.3
<b>Total management fees from Alternative Asset Management</b>	<b>57.9</b>	<b>59.1</b>

(\*) Net of intercompany management fees to IDeA OF I, which is consolidated on a line-by-line basis.

## 9 - Income from investments valued at equity

This item includes income from the associates valued at equity for the period.

The item, which was EUR +3,898 thousand in 2017, compared with EUR 524 thousand in 2016, is attributable to the pro-rata portion of the profits/losses relating to the holdings in:

- IDeA EESS (EUR +3,137 thousand in 2017 versus EUR +62 thousand in 2016);
- IRE (EUR +946 thousand in 2017 versus EUR +690 thousand in 2016);
- Venere (EUR -185 thousand in 2017 versus EUR -228 thousand in 2016).

## 10 - Other investment income and expenses

Other net income generated by investments in shareholdings and funds totalled EUR 8,633 thousand, compared with net income of EUR 12,338 thousand in 2016.

The item includes total capital gains realised on the sale of holdings in Migros completed by Kenan in 2017.

Details of the other investment income and expenses in 2017, compared with 2016, are reported below.

(EUR thousand)	2017	2016
Gains from venture capital fund distributions	228	0
Gain from partial disposal of Kenan / Migros	4,495	0
Gain from liquidation Santé	629	0
Gain from partial disposal of IRE	0	3,257
Gains from real estate fund distributions	2,133	50
Gains from IDeA OF I investments	1,286	2,798
Dividends from IDeA OF I investments	1,185	6,120
Gain from revaluation of IDeA EESS quotes	0	5,693
Other gains	13	93
<b>Gains from investments</b>	<b>9,969</b>	<b>18,011</b>
Impairment venture capital funds	58	109
Impairment private equity funds	0	0
Impairment real estate funds	436	2,252
Impairment Iacobucci	0	0
Impairment Grandi Navi Veloce	0	0
Talgo valuation	802	3,252
Other charges	40	60
<b>Investment charges</b>	<b>1,336</b>	<b>5,673</b>
<b>Total</b>	<b>8,633</b>	<b>12,338</b>

### **Impairment**

The fair value measurement of investments in funds and shareholdings at 31 December 2017, as for 31 December 2016, is based on information and documents received from the funds and shareholdings, and other available information.

## **11 - Service revenues**

Service revenues totalled EUR 2,208 thousand in 2017 (EUR 8,509 thousand in 2016) and relate, *inter alia*, to the servicing of non-performing loans.

In 2016, the item included the revenues of IRE up to 10 June 2016 (totalling EUR 7,756 thousand), the date on which the controlling stake in the company was sold; the company was then deconsolidated and reclassified under associates valued at equity.

## **12 - Other revenues and income**

Other revenues and income in 2017 totalled EUR 144 thousand, compared with EUR 288 thousand at 31 December 2016.

## **13 - Operating costs**

Operating costs in 2017 were EUR 98,616 thousand, compared with EUR 66,888 thousand in 2016.

Note that in 2017, this item includes impairment on goodwill relating to DeA Capital Real Estate SGR of EUR 34,178 thousand and on goodwill relating to the launch of SPC/Mato, totalling EUR 2,402 thousand.

### 13a - Personnel costs

Details of personnel costs in 2017, compared with 2016, are reported below:

(EUR thousand)	2017	2016
Salaries and wages	17,914	17,978
Social charges on wages	4,969	5,167
Board of directors' fees	3,238	4,291
Long term incentive plans	1,227	674
Employee severance indemnity	1,160	1,164
Other personnel cost	1,385	1,729
<b>Total</b>	<b>29,893</b>	<b>31,003</b>

At 31 December 2017, the DeA Capital Group had a total of 185 employees (186 at 31 December 2016).

The table below shows the changes and average number of Group employees during 2017.

Position	1.1.2017	Recruits	Departures	Other changes	31.12.2017	Average
Senior Managers	33	3	(5)	1	32	33
Junior Managers	56	9	(10)	5	60	60
Staff	97	26	(24)	(6)	93	95
<b>Total</b>	<b>186</b>	<b>38</b>	<b>(39)</b>	<b>0</b>	<b>185</b>	<b>188</b>

### Share-based payments

Employees of DeA Capital S.p.A. and the Parent Company, De Agostini S.p.A., are beneficiaries of stock option and performance share plans based on the shares of DeA Capital S.p.A. Unexercised but still valid call options on the Company's shares at 31 December 2017 totalled 2,954,729.

Stock option plans were valued using the numerical binomial tree procedure (the original Cox, Ross and Rubinstein method). Numerical analysis using binomial trees generates simulations of various possible developments in the share price in future periods.

On 20 April 2017, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2017-2019, under which a maximum of 1,200,000 units may be granted. On the same date, in implementation of the shareholders' resolution, the Board of Directors of DeA Capital S.p.A. voted: (i) to launch the Performance Share Plan 2017-2019 approved by the Shareholders' Meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and (ii) to grant 975,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.

On 27 July 2017, under the same Performance Share Plan 2017-2019, a further 100,000 units were granted to employees with specific duties.

Shares granted due to the vesting of units will be drawn from treasury shares already held by the Company.

In addition, the plan enables DeA Capital to oblige beneficiaries to return, in full or in part, shares received pursuant to the plan, should circumstances emerge that clearly show that incorrect data have been used to verify the achievement of the targets for the vesting of the units (known as "claw-back").

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

On 8 November 2017, in view of the distribution of the extraordinary dividend of EUR 0.12 per share approved by the Shareholders' Meeting on 20 April 2017, the Board of Directors of DeA Capital, as the competent body pursuant to the plans' regulations, approved a number of amendments to the existing Performance Share Plans in order to keep the substance and financial content unchanged. Specifically, the Board voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, in the event that the vesting conditions are met, by granting new units, to be determined on the vesting date, valued at the price per share on the same date and commensurate with the portion of units that has vested, until the maximum number of units provided for in the above-mentioned plans is used up. The Board also resolved that where the lower value of the plans cannot be compensated for by the granting of new units, a one-off bonus will be paid as compensation in cash, commensurate with the portion of units that has vested.

The terms and conditions of the above-mentioned Performance Share Plan 2017-2019 are described in the Information Prospectus prepared in accordance with art. 84-bis of Consob Resolution 11971 of 14 May 1999 (Issuer Regulations), available to the public at the registered office of DeA Capital S.p.A. and on the Company's website [www.deacapital.com](http://www.deacapital.com) (in the section Corporate Governance/Incentive Plans).

### **13b - Service costs**

Details of service costs in 2017, compared with 2016, are reported below.

(EUR thousand)	2017	2016
Admin. Consulting, Tax and Legal and other costs	6,099	7,119
Remuneration of internal committees	590	619
Maintenance	171	234
Travel expenses	776	913
Utilities and general expenses	1,166	1,445
Third-party rental, royalties and leasing	3,794	4,100
Bank charges	112	111
Books, stationery and conventions	494	334
Commission expense	988	1,770
Other expenses	2,609	2,827
<b>Total</b>	<b>16,799</b>	<b>19,472</b>

### **13c - Depreciation, amortisation and impairment losses**

This item totalled EUR 41,529 thousand in 2017, compared with EUR 11,886 thousand in 2016.

Please see the table on changes in intangible and tangible assets for details on this item.

Note that in 2017, this item includes impairment on goodwill relating to DeA Capital Real Estate SGR of EUR 34,178 thousand and on goodwill relating to the launch of SPC/Mato, totalling EUR 2,402 thousand.

### **13d - Other costs**

This item totalled EUR 10,395 thousand in 2017 (EUR 4,527 thousand in 2016) and mainly consisted of:

- an adjustment to the DeA Capital Real Estate SGR receivable due from the Beta fund for final variable commission, and the impairment of receivables for fixed commission from the Private RE, Atlantic 6, Eta, Ariete, Rho Plus and Spazio funds, totalling EUR 7,796 thousand (EUR 3,086 thousand in 2016);
- the cost incurred by DeA Capital Real Estate SGR totalling EUR 1,334 thousand (EUR 1,279 thousand in 2016) resulting from the inability to deduct VAT incurred on purchase transactions on the basis of the pro-rata amount specified by art. 19 of Presidential Decree 633/1972.

## **14 - Financial income and charges**

### **14a - Financial income**

Details of the financial income relating to 2017, and a comparison with 2016, are shown below.

(EUR thousand)	<b>2017</b>	<b>2016</b>
Interest income	550	885
Foreign exchange gains	3	3
<b>Total</b>	<b>553</b>	<b>888</b>

### **14b - Financial charges**

Details of the financial charges relating to 2017, and a comparison with 2016, are shown below.

(EUR thousand)	<b>2017</b>	<b>2016</b>
Interest expense	52	184
Exchange losses	541	1,843
Financial charge IAS 19	44	55
Other	0	26
<b>Total</b>	<b>637</b>	<b>2,108</b>

## 15 - Income tax for the period, deferred tax assets and deferred tax liabilities

This item, totalling EUR -420 thousand for 2017 (EUR -199 thousand in 2016), includes current income tax due for the year of EUR -2,742 thousand and net deferred tax assets of EUR +2,322 thousand. The latter are mainly due to:

- the recording on the Income Statement of deferred tax assets/use of deferred tax liabilities by DeA Capital Real Estate SGR, totalling EUR 891 thousand (as a result of the impairment of intangible assets related to final variable commission, of EUR 2,300 thousand – see Note 3a in this regard);
- the recording of deferred tax assets in respect of DeA Capital S.p.A., totalling +EUR 1,824 thousand, attributable to the elimination (due to the available tax losses) of the tax liability recorded as a result of the valuation of the funds.

The table below shows the taxes determined on the basis of the rates and the Group's taxable income. The latter was calculated in light of applicable legislation.

(EUR thousand)	2017	2016
<b>Current taxes:</b>		
Income from tax consolidation scheme	1,065	2,164
- IRES	(2,374)	(3,916)
- IRAP	(1,444)	(1,799)
- Other tax	11	(63)
<b>Total Current taxes</b>	<b>(2,742)</b>	<b>(3,614)</b>
<b>Deferred taxes for the period:</b>		
- Charges for deferred/prepaid taxes	25	(1,214)
- Income from deferred/prepaid taxes	2,297	4,635
- Use of deferred tax assets	0	(6)
<b>Total deferred taxes</b>	<b>2,322</b>	<b>3,415</b>
<b>Total income tax</b>	<b>(420)</b>	<b>(199)</b>

The table below shows a reconciliation of the tax charges recorded in the Consolidated Financial Statements and the theoretical tax charge for 2017 calculated using the corporate income tax (IRES) rate applicable in Italy.

(EUR thousand)	2017		2016	
	Amount	Rate	Amount	Rate
<b>Profit before tax</b>	<b>(25,873)</b>		<b>12,665</b>	
Tax on theoretical income	(6,210)	24.0%	3,483	27.5%
Tax on inter-company dividends	190	(0.7%)	163	1.3%
Depreciations of intangible assets - final variable fees	552	(2.1%)	1,375	10.9%
Write-downs of goodwill	8,728	(33.7%)	0	0.0%
Write-downs of equity investments and receivables	(3,075)	11.9%	0	0.0%
Net profit/(loss) from subsidiaries not subject to taxation	174	(0.7%)	(631)	(5.0%)
Net profit/(loss) from associates not subject to taxation	(935)	3.6%	(184)	(1.5%)
Income from tax consolidation scheme	(113)	0.4%	153	1.2%
Other net differences	1,998	(7.7%)	(1,719)	(13.6%)
Net effect of prepaid/deferred taxes	(2,322)	9.0%	(3,630)	(28.7%)
IRAP and other taxes on foreign income	1,433	(5.5%)	1,191	9.4%
<b>Income tax reported in the income statement</b>	<b>420</b>	<b>-1.6%</b>	<b>199</b>	<b>1.6%</b>

## 16 - Basic earnings (loss) per share

Basic earnings per share are calculated by dividing net profit for the period attributable to the Group's shareholders by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by dividing net profit for the period attributable to the Group's shareholders by the weighted average number of shares outstanding during the period including any diluting effects of existing stock option plans, in the event the allocated options are "in the money".

The table below shows the income and the share information used to calculate basic and diluted earnings per share:

(EUR thousand)	2017	2016
Consolidated net profit/(loss) - Group share (A)	(11,652)	12,427
Weighted average number of ordinary shares outstanding (B)	258,259,934	263,141,530
<b>Basic earnings/(loss) per share (€ per share) (C=A/B)</b>	<b>(0.045)</b>	<b>0.047</b>
Restatement for dilutive effect	0	0
Consolidated net profit/(loss) restated for dilutive effect (D)	(11,652)	12,427
Weighted average number of shares to be issued for the exercise of stock options (E)	119,700	120,311
Total number of shares outstanding and to be issued (F)	258,379,634	263,261,841
<b>Diluted earnings/(loss) per share (€ per share) (G=D/F)</b>	<b>(0.045)</b>	<b>0.047</b>

Options have a dilutive effect only when the average market price of the share for the period exceeds the strike price of the options or warrants (i.e. when they are "in the money").

### Primary and secondary reporting formats

The information on businesses reflects the Group's internal reporting structure. These businesses are:

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

### Summary Group Income Statement – performance by business in 2017

(EUR thousand)	Private Equity Investment	Alternative Asset Management	Holdings/ Eliminations	Consolidated
Alternative Asset Management fees	0	59,820	(1,876)	57,944
Income (loss) from equity investments	3,076	822	0	3,898
Other investment income/expense	6,957	1,676	0	8,633
Income from services	31	703	1,618	2,352
Other expenses	(2,259)	(91,116)	(5,241)	(98,616)
Financial income and expenses	(160)	13	63	(84)
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>7,645</b>	<b>(28,082)</b>	<b>(5,436)</b>	<b>(25,873)</b>
Income tax	0	(2,991)	2,571	(420)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>7,645</b>	<b>(31,073)</b>	<b>(2,865)</b>	<b>(26,293)</b>
Profit (Loss) from discontinued operations/held-for-sale assets	682	0	0	682
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>8,327</b>	<b>(31,073)</b>	<b>(2,865)</b>	<b>(25,611)</b>
- Group share	8,711	(17,498)	(2,865)	(11,652)
- Non controlling interests	(384)	(13,575)	0	(13,959)

### Summary Group Income Statement – performance by business in 2016

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

## **Notes to the Cash Flow Statement**

Changes to the Cash Flow Statement have been reported using the direct method.

Given the type of activity carried out by the Group, cash flow from investment in companies and funds (one of the Group's typical activities) is included in cash flow from operating activities.

In 2017, **operating activities**, as defined above, generated cash and cash equivalents of EUR +91,146 thousand (EUR +19,148 thousand in 2016). Please see the Consolidated Cash Flow Statement for information on changes to this item.

Of particular note are the following:

- net proceeds of EUR +30.0 million relating to the sale of Migros interests carried out by Kenan Investments in 2017;
- net proceeds arising from the sale of some of IDeA OF I's investments totalling EUR 37.7 million. In 2017, IDeA OF I received EUR 14.3 million from the liquidation of the Lauro Cinquantasette vehicle and EUR 18.9 million from the sale of an interest held in Manutencoop.

In 2017, the **financial investment business** absorbed cash of EUR -59,035 thousand (EUR -37,856 thousand in 2016).

Please see the Consolidated Cash Flow Statement for information on changes to this item.

In 2017, treasury shares totalling EUR -8,043 thousand were purchased (EUR -3,776 thousand in 2016), while dividends of EUR -53,569 thousand were paid (EUR -43,537 thousand in 2016); of this, an amount of EUR -31,157 thousand was paid to the shareholders of DeA Capital S.p.A., EUR -1,808 thousand to the external shareholders of DeA Capital Real Estate and EUR -20,607 thousand to the external shareholders of IDeA OF I (see Note 5h).

Cash and cash equivalents at end-2017 amounted to EUR 127,916 thousand (EUR 96,438 thousand at end-2016). Cash and cash equivalents at end-2017 include an amount of EUR 4,479 thousand of "restricted cash" relating to withholding tax deductions made by DeA Capital Alternative Funds SGR in respect of holders of units in the IDeA I FoF fund.

## **Other information**

### **Treasury shares and Parent Company shares**

On 20 April 2017, as already described in the "Significant events during the year" section, the Shareholders' Meeting of DeA Capital S.p.A. authorised the Board of Directors to buy and sell, on one or more occasions and on a revolving basis, a maximum number of treasury shares representing a stake of up to 20% of the share capital.

The new plan replaces the previous plan approved by the Shareholders' Meeting on 21 April 2016 (which was scheduled to expire with the approval of the 2016 Annual Financial Statements), and will pursue the same objectives, including purchasing treasury shares to be used for extraordinary transactions and share incentive schemes, offering shareholders a means of monetising their investment, stabilising the share price and regulating trading within the limits of current legislation.

The authorisation specifies that purchases may be made up to the date of the Shareholders' Meeting to approve the Financial Statements for the Year Ending 31 December 2017, and, in any event, not beyond the maximum period of 18 months allowed by law, and that DeA Capital S.p.A. may also sell the shares purchased for trading purposes, without time limits. The unit price for the purchase of the shares will be set on a case-by-case basis by the Board of Directors, but must not be more than 20% above or below the share's reference price on the trading day prior to each purchase.

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

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

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

In 2017, DeA Capital S.p.A. purchased 6,018,045 shares for a price of about EUR 8.0 million.

Taking into account purchases made in previous years for plans in place at any given time, and the use of treasury shares to service purchases of controlling interests in FARE Holding and IDeA Alternative Investments and to service incentive plans, at 31 December 2017, the Company owned 50,942,428 treasury shares (equal to about 16.6% of share capital).

As of the date of this document, based on purchases of 1,698,195 shares made after the end of 2017, the Company had a total of 52,640,623 treasury shares corresponding to about 17.2% of the share capital.

During 2017, the Company did not hold, purchase or sell, on its own account or through a trust company, any shares in the Parent Company De Agostini S.p.A.

### ***Stock option and performance share plans***

On 20 April 2017, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2017-2019, under which a maximum of 1,200,000 units may be granted. On the same date, in implementation of the shareholders' resolution, the Board of Directors of DeA Capital S.p.A. voted: (i) to launch the Performance Share Plan 2017-2019 approved by the Shareholders' Meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and (ii) to grant 975,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.

On 27 July 2017, under the same Performance Share Plan 2017-2019, a further 100,000 units were granted to employees with specific duties.

Shares granted due to the vesting of units will be drawn from treasury shares already held by the Company.

In addition, the plan enables DeA Capital to oblige beneficiaries to return, in full or in part, shares received pursuant to the plan, should circumstances emerge that clearly show that incorrect data have been used to verify the achievement of the targets for the vesting of the units (known as "claw-back").

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

On 8 November 2017, in view of the distribution of the extraordinary dividend of EUR 0.12 per share approved by the Shareholders' Meeting on 20 April 2017, the Board of Directors of DeA Capital, as the competent body pursuant to the plans' regulations, approved a number of amendments to the existing Performance Share Plans in order to keep the substance and financial content unchanged. Specifically, the Board voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, in the event that the vesting conditions are met, by granting new units, to be determined on the vesting date, valued at the price per share on the same date and commensurate with the portion of units that has vested, until the maximum number of units provided for in the above-mentioned plans is used up. The Board also resolved that where the lower value of the plans cannot be compensated for by the granting of new units, a one-off bonus will be paid as compensation in cash, commensurate with the portion of units that has vested.

The tables below summarise the assumptions made in calculating the fair value of the plans.

<b>Stock options</b>	<b>Plan 2014</b>
No. of options allocated	1,550,000
Average market price at allocation date	1.44
Value at allocation/modification date	364,250
Average exercise price	1.02
Expected volatility	22.06%
Option expiry date	31/12/19
Risk-free rate	0.71%

<b>Performance Share</b>	<b>Plan 2015</b>	<b>Plan 2015</b>	<b>Plan 2016</b>	<b>Plan 2017</b>	<b>Plan 2017</b>
Nº units allocated	515,000	150,000	1,000,000	1,200,000	100,000
Unit value	1.46	1.34	1.19	1.36	1.27
Value at allocation/modification date	302,477	66,750	1,185,000	1,636,800	126,900
Expected volatility	24.83%	25.54%	22.14%	n.a.	n.a.
Option expiry date	30/06/19	30/06/19	30/06/20	30/06/21	30/06/21
Risk-free rate	0.95%	0.82%	0.26%	n.a.	n.a.

### **Transactions with parent companies, subsidiaries and related parties**

#### *Transactions with related parties*

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

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

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

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

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

This agreement, which is renewable every six years after an initial term of seven years, is priced at market rates.

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

The option for DeA Capital S.p.A. is irrevocable for the three-year period 2017-2019.

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

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

The amounts involved in the deposit/financing operations will, however, always be below the thresholds for transactions defined as "non-material" pursuant to Consob Regulation 17221/2010 (Transactions with Related Parties) and the internal procedure on Transactions with Related Parties adopted by DeA Capital S.p.A.

Lastly, the Company did not hold, purchase or dispose of shares of related-party companies in 2017, except as previously described in the section "Basis of consolidation".

The table below summarises the amounts of trade-related transactions with related parties.

(EUR thousand)	31.12.2017				2017			
	Trade receivables	Tax receivables	Tax payables	Trade payables	Income from services	Income Tax	Personnel costs	Service costs
Innovation Real Estate S.p.A.	10	0	0	0	4	0	(10)	(2)
I.R.E. Advisory S.r.l.	0	0	0	167	1	0	0	(281)
De Agostini S.p.A.	104	1,055	1,131	0	357	926	(65)	(634)
De Agostini Publishing Italia S.p.A.	0	0	0	0	0	0	0	(3)
Lottomatica S.p.A.	2	0	0	0	27	0	0	0
De Agostini Editore S.p.A.	0	0	0	129	0	0	0	(351)
De Agostini Scuola S.p.A.	0	0	0	0	0	0	0	(28)
DeA Planeta Libri S.r.l.	0	0	0	0	0	0	0	(2)
<b>Total related parties</b>	<b>116</b>	<b>1,055</b>	<b>1,131</b>	<b>296</b>	<b>389</b>	<b>926</b>	<b>(75)</b>	<b>(1,301)</b>
<b>Total financial statement line item</b>	<b>16,069</b>	<b>1,055</b>	<b>1,998</b>	<b>6,594</b>	<b>2,208</b>	<b>1,065</b>	<b>(29,893)</b>	<b>(16,799)</b>
<b>As % of financial statement line item</b>	<b>0.7%</b>	<b>100.0%</b>	<b>56.6%</b>	<b>4.5%</b>	<b>17.6%</b>	<b>86.9%</b>	<b>0.3%</b>	<b>7.7%</b>

## **Remuneration of directors, auditors, general managers and managers with strategic responsibilities**

In 2017, remuneration payable to the directors and auditors of DeA Capital S.p.A. for the performance of their duties totalled EUR 330 thousand and EUR 105 thousand respectively.

Remuneration paid to directors and auditors is shown in the table below:

Director	Position	Period position held	Position expires	Fees for position at company preparing the financial statements in EUR thousand	Non-cash benefits	Bonuses and other incentives	Statutory auditors' fees for positions held at subsidiaries	Other remuneration EUR/000
Lorenzo Pellicoli	Chairman	2017	Approval fin. statements 2018	30	0	0	0	0
Paolo Ceretti	Chief Executive Officer	2017	Approval fin. statements 2018	30	0	0	0	146
Gian Andrea Perco	Senior managers with strategic responsibilities	until 30 june 2017	-	0	0	0	0	46
Pierluigi Rossi	Senior managers with strategic responsibilities	from 21 november 2017	-	0	0	0	0	1
Lino Benassi	Director	2017	Approval fin. statements 2018	30	0	0	0	0
Carlo Ferrari Ardicini	Director	2017	Approval fin. statements 2018	30	0	0	0	0
Donatella Busso	Director	2017	Approval fin. statements 2018	30	0	0	0	15
Francesca Gelfetto	Director	2017	Approval fin. statements 2018	30	0	0	0	5
Marco Drago	Director	2017	Approval fin. statements 2018	30	0	0	0	0
Severino Salvemini	Director	2017	Approval fin. statements 2018	30	0	0	0	33
Daniela Toscani	Director	2017	Approval fin. statements 2018	30	0	0	0	15
Elena Vasco	Director	2017	Approval fin. statements 2018	30	0	0	0	10
Marco Boroli	Director	2017	Approval fin. statements 2018	30	0	0	0	0
Cesare Grifoni	Chairman of the Board of Statutory Auditors	2017	Approval fin. statements 2018	45	0	0	7	10
Fabio Facchini	Permanent Auditor	2017	Approval fin. statements 2018	30	0	0	0	0
Annalisa Donesana	Permanent Auditor	2017	Approval fin. statements 2018	30	0	0	17	3

In contrast to the data contained in the Remuneration Report prepared pursuant to art. 123-ter of the TUF in accordance with art. 84-quater of the Issuer Regulation, the emoluments and compensation indicated above do not include social security contributions where applicable.

"Other remuneration" relates to remuneration received for other positions held in either DeA Capital S.p.A. or other Group companies.

In 2017, annual salaries and bonuses, excluding benefits in kind, paid to managers with strategic responsibilities in the Parent Company totalled about EUR 502 thousand.

## **Shareholdings held by directors, auditors, general managers and managers with strategic responsibilities**

Details of shareholdings held in DeA Capital S.p.A. and its subsidiaries by members of the boards of directors and auditors and by managers with strategic responsibilities are provided in the table below.

No shareholdings were reported for general managers since, to date, this position does not exist.

All those who held positions on the boards of directors or auditors, or as managers with strategic responsibilities, for the whole or part of the year in question, are included.

<b>Name and surname</b>	<b>Investee company</b>	<b>No. of shares held at 1.1.2017</b>	<b>No. of shares purchased</b>	<b>No. of shares sold</b>	<b>Other movements</b>	<b>No. of shares held at 31.12.2017</b>
Lorenzo Pellicioli	DeA Capital S.p.A.	2,566,323	0	0	0	2,566,323
Paolo Ceretti	DeA Capital S.p.A.	1,200,000	150,000	0	0	1,350,000
Senior managers with strategic responsibilities	DeA Capital S.p.A.	520,000	270,000	0	(20,000)	770,000
<b>Total</b>		<b>4,286,323</b>	<b>420,000</b>	<b>0</b>	<b>(20,000)</b>	<b>4,686,323</b>

No DeA Capital shares are held by other directors or auditors who are currently in office; furthermore, no shares are held in companies controlled by DeA Capital S.p.A.

The directors Lorenzo Pellicioli, Marco Drago and Marco Boroli own shares of B&D Holding di Marco Drago e C. S.a.p.A. and Marco Drago e Marco Boroli own shares of De Agostini S.p.A., companies which indirectly or directly control the Company, and are parties to a shareholder agreement covering these shares.

Lastly, "other changes" in the preceding table take account of the termination of the employment relationship with managers with strategic responsibilities.

## **Stock options granted to members of the boards of directors and auditors, general managers and managers with strategic responsibilities**

Details of stock options held by members of the boards of directors and auditors and by managers with strategic responsibilities in DeA Capital S.p.A. and its subsidiaries are provided (in aggregate format) in the table below.

Beneficiary	Position	Options outstanding at 1 January 2017				Options granted during 2017				Options exercised during 2017	Options lapsed/ cancelled during 2017	Options outstanding at 31 December 2017			
		Number of options	Average exercise price	Average expiry date	Number of options	Average exercise price	Average expiry date	Number of options	Number of options			Average exercise price	Average expiry date		
Paolo Ceretti	CEO	950,000	1.02	5	0	0	0	81,728	551,043	317,229	1.02	5			
Key Management		450,000	1.02	5	0	0	0	188,980	261,020	0	1.02	5			

Lastly, note that the Chief Executive Officer, Paolo Ceretti, and managers with strategic responsibilities were granted 350,000 and 575,000 performance shares respectively in 2017, as shown in the table below.

Performance shares		Units outstanding at 1 January 2017				Units granted during 2017				Units exercised during 2017	Units lapsed/ cancelled during 2017	Units outstanding at 31 December 2017			
		Beneficiary	Position	Number of Units	Units Price	Average expiry date	Number of Units	Units Price	Average expiry date			Number of Units	Units Price	Average expiry date	
Paolo Ceretti	CEO	120,000	1.44	3	0	0	0	68,272	51,728	0	0	0	0	0	
Paolo Ceretti	CEO	250,000	1.46	4	0	0	0	0	0	0	250,000	1.46	4		
Paolo Ceretti	CEO	350,000	1.19	4	0	0	0	0	0	0	350,000	1.00	4		
Paolo Ceretti	CEO	0	0	0	350,000	1.36	4	0	0	0	350,000	1.36	4		
Key Management		60,000	1.44	3	0	0	0	34,135	25,865	0	0	0	0	0	
Key Management		125,000	1.46	4	0	0	0	0	0	0	125,000	1.46	4		
Key Management		150,000	1.34	4	0	0	0	0	0	0	150,000	1.34	4		
Key Management		450,000	1.19	4	0	0	0	0	0	0	450,000	1.19	4		
Key Management		0	0	0	475,000	1.36	4	0	0	0	475,000	1.36	4		
Key Management		0	0	0	100,000	1.27	4	0	0	0	100,000	1.27	4		

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

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

The risks set out below take into account the features of the market and the operations of the Parent Company DeA Capital S.p.A. and the consolidated Group companies, the main findings of a risk assessment carried out in 2017, as well as the periodic monitoring conducted partly through the regulatory policies adopted by the Group.

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

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

### **A. Contextual risks**

#### **A.1 Risks relating to general economic conditions**

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

#### **A.2 Socio-political events**

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

#### **A.3 Regulatory changes**

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

#### **A.4 Performance of the financial markets**

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

#### **A.5 Exchange rates**

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

## **A.6 Interest rates**

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

## **B. Strategic risks**

### ***B.1 Concentration of the Private Equity investment portfolio***

The Private Equity Investment strategy adopted by the Group includes:

- Direct investments;
- Indirect investments (via funds).

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

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

### ***B.2 Concentration of Alternative Asset Management assets***

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

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

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

### **B.3 Key resources (governance/organisation)**

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

## **C. Operating risks**

### **C.1 Investment operations**

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

### **C.2 Compliance with covenants**

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

### **C.3 Divestment operations**

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

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

### **C.4 Funding Risk**

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

## Significant events after the reporting date for the 2017 Consolidated Financial Statements

### ***Launch of Special Opportunities I fund***

In January 2018, DeA Capital Real Estate SGR completed the closing of the Special Opportunities I fund, which has assets of EUR 200 million to be used for the purchase of non-performing secured loans via securitisation vehicles.

DeA Capital has subscribed to a total commitment of EUR 20 million. The remaining part of the commitment, amounting to EUR 180 million, was underwritten by Apollo Global Management PLC, one of the world's leaders in alternative investment.

### ***Funds – paid calls/distributions***

After 31 December 2017, the DeA Capital Group increased its investments in the ICF III, IDeA ToI and IDeA CCR II funds with payments totalling EUR 3.0 million.

At the same time, the DeA Capital Group received capital reimbursements totalling EUR 0.2 million from the IDeA CCR I and Venere funds.

Thus, after 31 December 2017, the private equity funds in which DeA Capital S.p.A. has invested have generated a net positive cash balance of EUR 2.8 million for the portion relating to the Group.

## Further information

### ***Publication of the 2017 Financial Statements***

In accordance with the provisions of IAS 10, the Parent Company authorised the publication of these Financial Statements within the terms set by the laws in force.

### ***Atypical or unusual transactions***

In 2017, there were no atypical or unusual transactions as defined by Consob Communication 6064293 of 28 July 2006.

### ***Significant non-recurring events and transactions***

In 2017, the Group did not undertake any significant non-recurring transactions as defined by the above-mentioned Consob Communication.

## Statement of responsibilities for the Consolidated Financial Statements pursuant to art. 154-bis of Legislative Decree 58/98

The undersigned, Paolo Ceretti, as Chief Executive Officer, and Manolo Santilli, as the manager responsible for preparing the accounting statements of DeA Capital S.p.A., hereby certify, pursuant to art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, that based on the characteristics of the Company, the administrative and accounting procedures for preparing the Consolidated Financial Statements during 2017 were suitable and were effectively applied.

The assessment as to the suitability of the administrative and accounting procedures for preparing the Consolidated Financial Statements for the Year Ending 31 December 2017 was based on a process established by DeA Capital S.p.A. in keeping with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is the generally accepted reference framework at international level.

Note that in this regard, as described in the Notes to the Financial Statements, a significant portion of the assets are investments stated at fair value. Fair values were determined by directors based on their best estimates and judgement using the knowledge and evidence available at the time the financial statements were prepared. However, due to objective difficulties in making assessments and the absence of a liquid market, the values assigned to such assets could differ, and in some cases significantly, from those that could be obtained when the assets are sold.

The undersigned further certify that the Consolidated Financial Statements at 31 December 2017:

- correspond to the Companies' accounting records;
- have been prepared in compliance with the International Financial Reporting Standards adopted by the European Union, and the measures issued to implement art. 9 of Legislative Decree 38/2005;
- to the best of their knowledge, provide a true and fair view of the operating performance and financial position of the issuer and the group of companies included in the scope of consolidation.

The Report on Operations contains a reliable analysis of operating performance and results and of the situation of the issuer and all companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

13 March 2018

**Paolo Ceretti**  
**Chief Executive Officer**

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

## Information pursuant to art. 149-*duodecies* of the Consob Issuer Regulations

The table below was prepared in accordance with art. 149-*duodecies* of the Consob Issuer Regulation and reports the fees for 2017 for auditing and other services provided by the independent auditors and entities belonging to the independent auditors' network. The fees reported below do not include VAT and out-of-pocket expenses.

(EUR thousand)	<b>Company providing the service</b>	<b>Beneficiary</b>	<b>Compensation FY 2017</b>
<b>Audit (*)</b>			
	PwC S.p.A.	DeA Capital S.p.A.	56
	PwC S.p.A.	DeA Capital Partecipazioni	10
	PwC S.p.A.	SPC	28
	PwC S.p.A.	DeA Capital Alternative Funds SGR	13
	PwC S.p.A.	IDeA Opportunity Fund I	27
<b>Other services</b>	TLS Associazione professionale	DeA Capital Real Estate SGR	12
<b>Total</b>			<b>146</b>

(\*) Includes limited review of reporting packages at 30 june 2017 and the signature of fiscal declarations of the companies.





**ANNUAL  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 DECEMBER 2017**

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

# Balance Sheet - DeA Capital S.p.A.

(EUR)	Note	31.12.2017	31.12.2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible and tangible assets</b>			
Intangible assets	1a	2,129	8,917
Tangible assets	1b	210,600	330,072
<i>Total intangible and tangible assets</i>		<b>212,729</b>	<b>338,989</b>
<b>Investments</b>			
Subsidiaries and joint ventures	2a	175,187,744	219,865,219
Associates	2b	18,953,485	20,832,375
Available-for-sale investments	2c	78,898,520	67,129,899
Available-for-sale funds	2d	126,614,722	138,080,795
<i>Total Investments</i>		<b>399,654,471</b>	<b>445,908,288</b>
<b>Other non-current assets</b>			
Deferred tax assets	3a	0	0
Tax receivables from Parent companies	3b	0	19,332
<i>Total other non-current assets</i>		<b>0</b>	<b>19,332</b>
<b>Total non-current assets</b>		<b>399,867,200</b>	<b>446,266,609</b>
<b>Current assets</b>			
Trade receivables	4a	757,535	155,843
Financial receivables	4b	1	2,137,953
Tax receivables from Parent companies	4c	900,043	1,637,446
Other tax receivables	4d	719,662	1,170,774
Other receivables	4e	512,666	506,926
Cash and cash equivalents	4f	90,244,529	68,621,804
<i>Total current assets</i>		<b>93,134,436</b>	<b>74,230,746</b>
<b>Total current assets</b>		<b>93,134,436</b>	<b>74,230,746</b>
<b>Held-for-sale assets</b>	<b>5</b>	<b>0</b>	<b>11,486,685</b>
<b>TOTAL ASSETS</b>		<b>493,001,636</b>	<b>531,984,040</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6a	255,669,672	261,207,146
Share premium reserve	6b	234,713,285	267,640,167
Legal reserve	6c	61,322,420	61,322,420
<i>Fair Value reserve</i>	6d	61,274,325	26,096,891
Other reserves	6e	1,237,666	499,421
Retained earnings (losses)	6f	(87,042,813)	(94,669,362)
Profit/(loss) for the year	6g	(36,600,543)	7,573,907
<b>Shareholders' equity</b>		<b>490,574,012</b>	<b>529,670,590</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	3a	0	0
Provisions for employee termination benefits	7a	320,572	344,889
<b>Total non-current liabilities</b>		<b>320,572</b>	<b>344,889</b>
<b>Current liabilities</b>			
Trade payables	8a	1,023,776	913,870
Payables to staff and social security organisations	8b	821,314	686,915
Current tax payables	8c	63,926	63,926
Other tax payables	8d	187,678	263,928
Other payables	8e	10,358	39,922
<b>Total current liabilities</b>		<b>2,107,052</b>	<b>1,968,561</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>493,001,636</b>	<b>531,984,040</b>

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

## Income Statement - DeA Capital S.p.A.

(EUR)	Note	2017	2016
Dividends from subsidiaries and joint ventures	9a	12,151,956	10,222,810
Losses from available-for-sale funds	9a	(7,936,918)	0
Gains from available-for-sale funds	9a	856,455	0
Subsidiaries and joint ventures impairment	9a	(27,806,194)	0
Impairment of Investments in other companies-available-for-sale	9a	(11,465,215)	0
Impairment of funds available-for-sale	9a	(246,242)	(954,176)
Income from services	9b	3,171,961	1,817,467
Other income	9c	956	37,283
Personnel costs	10a	(3,660,759)	(2,990,227)
Service costs	10b	(4,648,853)	(4,497,309)
Depreciation, amortization and impairment	10c	(141,064)	(157,547)
Other expenses	10d	(47,908)	(71,819)
Financial income	11a	73,463	178,116
Financial expenses	11b	(8,673)	(164,412)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>(39,707,035)</b>	<b>3,420,186</b>
Income tax	12a	936,164	1,445,882
Deferred tax	12b	1,823,637	2,707,839
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(36,947,234)</b>	<b>7,573,907</b>
Profit (Loss) from discontinued operations/held-for-sale assets	13	346,691	0
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>(36,600,543)</b>	<b>7,573,907</b>
Earnings per share, basic	14	(0.14)	0.03
Earnings per share, diluted	14	(0.14)	0.03

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

## Statement of Comprehensive Income (Statement of Performance – IAS 1)

Comprehensive income or the Statement of Performance (IAS 1), in which performance for the year is reported, including results posted directly to shareholders' equity, reflects a net negative balance of approximately EUR -1,401 thousand compared with a net positive balance of around EUR +14,872 thousand in 2016. This comprises:

- a net loss of EUR -36,601 thousand recorded on the Income Statement;
- profits posted directly to shareholders' equity totalling EUR +35,200 thousand, due mainly to the increase in the fair value of IDeA ToI and ICF II and the elimination of the negative reserve for Migros.

(in EUR)	2017	2016
<b>Components that may be subsequently restated under Profit/(Loss) for the year</b>	<b>(36,600,543)</b>	<b>7,573,907</b>
Gains/(Losses) from recalculation of available-for-sale financial assets	35,177,434	7,337,934
Components that will not be subsequently restated under Profit/(Loss) for the year	22,294	(39,970)
<i>Actuarial Gains/(Losses) to be revalued in defined benefit plans</i>	<i>22,294</i>	<i>(39,970)</i>
<b>Total other Profit/(Loss), net of tax effect (B)</b>	<b>35,199,728</b>	<b>7,297,964</b>
<b>Total comprehensive Profit/(Loss) for the year (A)+(B)</b>	<b>(1,400,815)</b>	<b>14,871,871</b>

## Cash flow statement - Parent Company - Direct method

(EUR thousand)	2017	2016
<b>CASH FLOW from operating activities</b>		
Investments in funds and shareholdings	(46,361)	(25,307)
Proceeds from the sale of investments	17,794	0
Capital reimbursements from funds and shareholdings	58,796	32,627
Interest received	59	127
Interest paid	0	(51)
Exchange gains (losses)	(3)	1
Taxes paid	(44)	(6)
Taxes refunded	1,683	1,194
Dividends received	30,416	10,223
Revenues for services	1,235	13
Intragroup revenues for services	2,599	2,437
Intragroup operating expenses	(620)	(971)
Operating expenses	(7,126)	(6,405)
<b>Net cash flow from operations</b>	<b>58,428</b>	<b>13,882</b>
<b>CASH FLOW from investment activities</b>		
Acquisition of property, plant and equipment	(18)	(2)
Acquisition of intangible assets	0	(1)
Acquisition of property, plant and equipment ICO	0	(3)
Sale of property, plant and equipment	2	0
Sale of property, plant and equipment ico	2	0
<b>Net cash flow from investments</b>	<b>(14)</b>	<b>(6)</b>
<b>CASH FLOW from financial activities</b>		
Share capital issued: stock option plan	276	352
Purchase of own shares	(8,043)	(3,776)
Dividends paid	(31,154)	(31,555)
Short-term intragroup loans	2,130	1,337
<b>Net cash flow from financial activities</b>	<b>(36,791)</b>	<b>(33,642)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>21,623</b>	<b>(19,766)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>68,622</b>	<b>88,388</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>90,245</b>	<b>68,622</b>

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

## Statement of changes in shareholders' equity of the Parent Company DeA Capital S.p.A.

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Fair value reserve	Stock options reserve
<b>Total at 31 December 2015</b>	<b>263,923</b>	<b>299,647</b>	<b>61,322</b>	<b>18,759</b>	<b>750</b>
Allocation of Profit	0	0	0	0	0
Exercise stock options e performance share	463	148	0	0	(387)
Cost of stock options	0	0	0	0	674
Stock Options Plan 2004 e 2013 reversal	0	0	0	0	(64)
Purchase of own shares	(3,179)	(598)	0	0	0
Dividend paid 2016	0	(31,557)	0	0	0
<b>Total comprehensive Profit/(Loss) for 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,338</b>	<b>0</b>
<b>Total at 31 December 2016</b>	<b>261,207</b>	<b>267,640</b>	<b>61,322</b>	<b>26,097</b>	<b>973</b>

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Fair value reserve	Stock options reserve
<b>Total at 31 December 2016</b>	<b>261,207</b>	<b>267,640</b>	<b>61,322</b>	<b>26,097</b>	<b>973</b>
Allocation of Profit	0	0	0	0	0
Exercise stock options e performance share	481	254	0	0	(511)
Cost of stock options	0	0	0	0	1,227
Purchase of own shares	(6,018)	(2,024)	0	0	0
Dividend paid 2017	0	(31,157)	0	0	0
<b>Total comprehensive Profit/(Loss) for 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35,177</b>	<b>0</b>
<b>Total at 31 December 2017</b>	<b>255,670</b>	<b>234,713</b>	<b>61,322</b>	<b>61,274</b>	<b>1,689</b>

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

Reserve for sale of option rights	Reserve for the IDeA AI merger	Reserve for actuarial gains / losses	Profit/(Loss) carried forward	Profit/(Loss)	Total
<b>413</b>	<b>(831)</b>	<b>(16)</b>	<b>(75,961)</b>	<b>(18,900)</b>	<b>549,106</b>
0	0	0	(18,900)	18,900	0
0	0	0	128	0	352
0	0	0	0	0	674
0	0	0	64	0	0
0	0	0	0	0	(3,777)
0	0	0	0	0	(31,557)
<b>0</b>	<b>0</b>	<b>(39)</b>	<b>0</b>	<b>7,574</b>	<b>14,873</b>
<b>413</b>	<b>(831)</b>	<b>(55)</b>	<b>(94,669)</b>	<b>7,574</b>	<b>529,671</b>

Reserve for sale of option rights	Reserve for the IDeA AI merger	Reserve for actuarial gains / losses	Profit/(Loss) carried forward	Profit/(Loss)	Total
<b>413</b>	<b>(831)</b>	<b>(55)</b>	<b>(94,669)</b>	<b>7,574</b>	<b>529,671</b>
0	0	0	7,574	(7,574)	0
0	0	0	52	0	276
0	0	0	0	0	1,227
0	0	0	0	0	(8,042)
0	0	0	0	0	(31,157)
<b>0</b>	<b>0</b>	<b>22</b>	<b>0</b>	<b>(36,601)</b>	<b>(1,402)</b>
<b>413</b>	<b>(831)</b>	<b>(33)</b>	<b>(87,043)</b>	<b>(36,601)</b>	<b>490,574</b>





**NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 DECEMBER 2017**

# Notes to the Financial Statements

## Annual Financial Statements for the Year Ending 31 December 2017

### A. Structure and content of the Financial Statements

DeA Capital S.p.A. (hereinafter also the Company or the Parent Company or DeA Capital) is a company limited by shares with its registered office in Via Brera 21, Milan.

Following the merger by incorporation of the Luxembourg company DeA Capital Investments S.A. in 2014, a Luxembourg branch was opened as a secondary office. Subsequently, on 1 September 2016, a secondary office was opened at Via Mercadante 18 in Rome.

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

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

The DeA Capital Annual Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income (Statement of Performance – IAS 1), the Cash Flow Statement, the Statement of Changes in Shareholders' Equity and these Notes to the Financial Statements.

The Statement of Financial Position provides a breakdown of current and non-current assets and liabilities with separate reporting for those resulting from discontinued or held-for-sale operations.

In the Income Statement, the Company has adopted the "nature of expense" method, whereby costs and revenues are classified according to their nature.

The Cash Flow Statement is prepared using the "direct method".

Unless otherwise indicated, all tables and figures included in these Notes to the Financial Statements are reported in EUR thousand. As Parent Company, DeA Capital S.p.A. has also prepared the Consolidated Financial Statements for the DeA Capital Group at 31 December 2017.

In addition to the figures at 31 December 2017, the financial statement formats used also provide comparable figures for 31 December 2016.

The publication of the draft Annual Financial Statements for the Year Ending 31 December 2017 was authorised by resolution of the Board of Directors dated 13 March 2018.

#### **Statement of compliance with accounting standards**

The Annual Financial Statements for the Year Ending 31 December 2017 (2017 Financial Statements) have been prepared in accordance with the International Accounting Standards adopted by the European Union and approved by the date the financial statements were prepared (International Accounting Standards, or individually IAS/IFRS, or collectively IFRS (International Financial Reporting Standards)). IFRS also includes all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC"), and approved by the European Union.

The Annual Financial Statements were prepared with a focus on clarity, and provide a true and fair view of the balance sheet position, financial situation, financial results and cash flows for the period.

### ***Accounting standards, amendments and interpretations applied as of 1 January 2017***

The IASB-approved international accounting standards and interpretations authorised for adoption in Europe that were applied for the first time from 1 January 2017 are detailed below.

The Company did not apply any IFRS in advance.

#### ***Amendments to IAS 7: Disclosure initiative***

On 29 January 2016, the IASB issued some amendments to IAS 7 (Statement of cash flows: disclosure initiative).

The amendments aim to clarify and improve the information on liabilities arising from financing activities and stipulate the inclusion in the Cash Flow Statement of a table reconciling the opening and closing balances of liabilities.

The Disclosure Initiative added paragraphs 44A-44E as an amendment to IAS 7.

In particular, paragraph 44A establishes that an entity must provide the information that allows the user of the financial statements to assess changes in liabilities arising from financing activities, including both changes arising from financial flows and non-cash changes.

Information should be provided on the following:

- a) changes arising from financing cash flows, such as the payment of instalments of a loan or a lease;
- b) changes arising from obtaining or losing control of subsidiaries or other businesses, such as the loans acquired in a business combination;
- c) the effect of changes in foreign exchange rates;
- d) changes in fair value, typically of financial assets used to hedge loans;
- e) other changes.

The method identified by the Board to satisfy the information required by paragraph 44A is to provide a reconciliation (in table form) between the opening and closing balances of liabilities arising from financing activities, including the changes indicated above.

Finally, paragraph 44E stipulates that if the entity provides the information required by paragraph 44A in combination with disclosures of changes in other assets and liabilities, it must disclose the changes in liabilities arising from financing activities separately from changes in the other assets and liabilities.

#### ***Amendments to IAS 12***

On 19 January 2016, the IASB issued some amendments to IAS 12 (Income taxes). The document aims to clarify how to account for deferred tax assets relating to debt instruments measured at fair value.

The changes relate to the recognition and measurement of deferred tax assets (DTA).

In particular, the amended standard specifies that:

- DTAs may be recognised for temporary differences attributable to the difference between fair value and the taxable amount of fixed rate financial instruments that have not been written down (this applies to the available-for-sale category), and
- temporary differences must be compared to future profits.

### ***Future accounting standards, amendments and interpretations***

*Accounting standards, amendments and interpretations that are not yet applicable and have not been adopted in advance by the Company, but **are already approved** for adoption in the European Union as of 13 March 2018*

The International Accounting Standards, together with the interpretations and changes to existing IASB-approved accounting standards and interpretations that were ratified for adoption in the European Union on 8 March 2018 are as follows:

#### ***IFRS 9 (Financial instruments)***

On 24 July 2014, the IASB published IFRS 9 (Financial instruments). The standard, which changes both the recognition and measurement of financial assets and liabilities, and hedge accounting, fully replaces IAS 39 (Financial instruments: recognition and measurement).

Specifically, the standard contains a framework for classifying and valuing financial assets based on three business models:

- Hold to collect (HTC), or financial assets held with the aim of collecting contractual cash flows. In this case, the valuation criterion that can be adopted is the amortised cost (if they pass the SPPI Test (solely payment of principal and interest)) or fair value through profit and loss (FVTPL);

- Hold to collect and sell (HTC&S), i.e. financial assets held with the aim of either collecting contractual cash flows or to be sold. In this case, the valuation criterion that can be adopted is fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL);
- Other business models: in this case the valuation criterion that can be adopted is fair value through profit and loss (FVTPL).

The classification of financial assets is also guided by the contractual characteristics of their cash flows, to the extent that, if certain characteristics are absent, classification in some of the categories defined above is precluded.

The standard also stipulates a new impairment model, which differs from that currently set out in IAS 39, and is mainly based on the concept of expected losses.

The standard applies from 1 January 2018, except for hedge accounting, for which companies can provisionally opt to keep the IAS 39 framework.

For listed companies which present quarterly reports, the first occasion to present accounting data with the new standard will be at the end of the period to 31 March 2018.

During 2017, the Company carried out a detailed analysis of the accounting impacts resulting from the introduction of IFRS 9.

## **a. Classification and valuation of financial assets**

The analysis carried out by the Company concerned the following categories of financial assets:

### ***a.1) Investment funds***

Investment funds (listed and unlisted) currently classified **as available for sale (AFS)**, where gains and losses are recognised in other comprehensive income and effects accrued at the date of any sale of the instruments are reversed to the Income Statement, will be valued at fair value with changes in value recognised directly in the Income Statement. This approach **will increase the volatility of the Income Statement results for financial years after 31 December 2017, but will leave the opening balance of shareholders' equity at 1 January 2018 unchanged.**

**The "AFS reserve" item accrued in shareholders' equity as at 31 December 2017, net of the related tax effects recognised as tax assets and/or tax liabilities, will be reclassified under "Retained earnings (losses)" in shareholders' equity.**

The choice of the above-mentioned approach (fair value with changes in value recognised directly in the Income Statement) depends on the classification of the investment funds, which, according to IAS 32, must have the necessary features to be classified as a debt instrument, as also clarified by IFRIC in May 2017. If they do not pass the "SPPI Test" (solely payment of principal and interest) required by IFRS 9 for such instruments (due to the fact that cash flows generated by them are not solely due to the payment of capital and interest), they may not be recorded at amortised cost and thus must be accounted for using the "fair value through profit and loss" approach.

### ***a.2) Shares***

Shares (listed and unlisted) relating to **Investments in subsidiaries** and to **Available-for-sale investments in other companies**, where gains and losses are recognised in other comprehensive income and effects accrued at the date of any sale of the instruments are reversed to the Income Statement, will continue to be measured at fair value. IFRS 9 stipulates that fair value is the only valuation criterion for investments in equity instruments.

The shares currently in the portfolio are not held for trading (there are no differences in treatment between IAS 39 and IFRS 9 in this case). Therefore, in accordance with IFRS 9, the Company may decide on an instrument-by-instrument basis whether to recognise changes in the value of the security directly in the Income Statement (similar to the treatment required for held for trading positions) or, alternatively, to recognise them permanently in shareholders' equity (with no reversal in the Income Statement, even in the case of realised capital gains/losses).

**The Company has decided to recognise changes in the value of this asset class directly in the Income Statement. This approach will increase the volatility of the Income Statement results for financial years after 31 December 2017, but will leave the opening balance of shareholders' equity at 1 January 2018 unchanged.**

**The "AFS Reserve" item accrued in shareholders' equity as at 31 December 2017, net of the related tax effects recognised as tax assets and/or tax liabilities, will be reclassified under "Retained earnings (losses)" in shareholders' equity.**

### *IFRS 15 (Revenue from contracts with customers)*

On 28 May 2014, the IASB issued IFRS 15 (Revenue from contracts with customers), which was subsequently amended on 11 September 2015. The standard replaces IAS 18 (Revenue), IAS 11 (Construction contracts), and the interpretations SIC 31, IFRIC 13 and IFRIC 15. It requires revenues to be recognised at the time the goods or services are transferred to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services.

The new model for recognising revenues defines a five-step model for recognising revenues from contracts with customers:

- identifying contracts with the customer;
- identifying performance obligations, i.e. contractual commitments to transfer goods or services to a customer. In particular, IFRS 15 requires companies to identify the existence of distinct performance obligations within the same contract, which must therefore be treated separately;
- determining the transaction price;
- allocating transaction prices to performance obligations;
- recognising the revenues when the relevant performance obligation has been fulfilled. Specifically, this occurs when an obligation to be met is fulfilled by transferring the goods or services to the customer, or when the customer obtains control of the goods or receives the service. Control can be assumed progressively over time or at a specific point in time.

The standard applies from 1 January 2018, but early application is permitted; for listed companies which present quarterly reports, the first occasion to present accounting data with the new standard will be at the end of the period to 31 March 2018. The standard provides the option of choosing between a "full retrospective method" or a limited "cumulative catch-up method".

In 2017, after a detailed analysis, the Company found no accounting impacts resulting from the introduction of IFRS 15.

### *IFRS 16 – Leases*

On 13 January 2016, the IASB issued IFRS 16 (Leases), which replaces the accounting rules contained in IAS 17.

IFRS 16 provides a new definition of leases and introduces a criterion based on the control of an asset ("right of use"). With a lease contract, one party (lessor) conveys to the other party (lessee) the right to use an asset for consideration and for a given period. Therefore, apart from lease contracts per se, rental, hire, letting and hire purchase agreements also fall within the definition of "lease contracts" under the new IFRS 16.

IFRS 16 contains a single accounting model for leases that removes the distinction between operating leases and finance leases from the lessee's perspective. All contracts that fall within the definition of lease (with the exception of short-term leases and leases of low-value items, which the lessor has the option not to recognise on the basis of IFRS 16) must be recognised in the Statement of Financial Position as a right-of-use asset and associated liability.

In other words, the standard setters have developed a new accounting model which is applicable to lessees/tenants and aimed at recognising assets and liabilities for the rights and obligations deriving from lease contracts, irrespective of their nature.

In detail, on the start date of the lease contract, the lessee will recognise a liability for the lease payments (i.e. lease liabilities) and an asset for the right to use the underlying asset for the duration of the contract (i.e. the right-of-use asset). Lessees will have to account separately for the interest expenses on the lease liability and for the amortisation of the right to use the asset. Lessees will also have to remeasure the lease liability upon the occurrence of certain events (for example: a change in the terms of the lease contract, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Lessees will generally recognise the amount of the new measurement of the lease liability as an adjustment to the right to use the asset.

The accounting required by IFRS 16 for lessors is substantially unchanged from current accounting under IAS 17: they will continue to classify all leases using the same classification principle stipulated by IAS 17 and distinguish between two types of lease: operating leases and finance leases.

IFRS 16 requires lessees and lessors to make a more extensive disclosure than IAS 17.

The standard takes effect on 1 January 2019. Companies adopting IFRS 15 in advance may also apply this standard in advance.

## *Amendments to IFRS 2*

On 20 June 2016, the IASB published amendments to IFRS 2 (Classification and measurement of share-based payment transactions) intended to clarify the accounting treatment for some types of share-based payment transactions.

The date of first application for the amendments, which were ratified by the European Commission on 26 February 2018, is 1 January 2018 (although early application is permitted).

## *Improvements to IFRS – 2014-2016 Cycle*

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

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

## ***Accounting principles, amendments and interpretations that are not yet applicable, have not been adopted in advance by the Group and are not yet approved for adoption in the European Union as of 13 March 2018***

The International Accounting Standards, interpretations and amendments to existing IASB-approved accounting standards and interpretations that had not been ratified for adoption in the European Union as of 13 March 2018 are as follows:

### *IFRS 17 – Insurance Contracts*

In May 2017, the IASB issued IFRS 17 (Insurance Contracts), a comprehensive new standard for insurance contracts that covers recognition, measurement, presentation and disclosure. When it enters into force, IFRS 17 will replace IFRS 4 (Insurance Contracts), issued in 2005.

IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance, re-insurance), regardless of the type of entity that issues them, and to some guarantees and financial instruments with discretionary participation features.

The general aim of IFRS 17 is to introduce an accounting model for insurance contracts that is more useful and uniform for insurers. In contrast to the provisions of IFRS 4, which are largely based on the maintenance of previous accounting policies, IFRS 17 provides a complete model for insurance contracts that covers all the relevant accounting aspects.

At the heart of IFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (variable fee approach (VFA));
- a simplified approach (premium allocation approach (PAA)), mainly for short-term contracts.

IFRS 17 will come into force for financial years from 1 January 2021 and will require comparative balances to be presented.

Early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or previously. This standard does not apply to the Company.

### *Amendment to IAS 40*

On 8 December 2016, the IASB issued some amendments to IAS 40 (Investment property: transfers of investment property), clarifying the changes in use that result in an asset that is not an investment property being classified as such or vice versa, specifying that a change in use must have occurred. To decide whether a change of use has occurred, an assessment of whether the investment property satisfies the definition must be made. This change must be supported by evidence, as the IASB has confirmed that a change in intention, in isolation, is not enough to support the existence of a transfer.

The date of first application of the amendments, which are awaiting ratification by the European Commission, will be 1 January 2018.

### *IFRIC 22*

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

The date of first application of the new interpretation, which is awaiting ratification by the European Commission, will be 1 January 2018.

### *IFRIC 23*

On 7 June 2017, the IASB published the new IFRIC 23 (Uncertainty over income tax treatments), which provides information on how to reflect uncertainty over the tax treatment of a specific phenomenon when accounting for income tax.

The date of first application of the new interpretation, which is awaiting ratification by the European Commission, will be 1 January 2019.

### *Amendments to IFRS 9 and IAS 28*

On 12 October 2017, the IASB published amendments to IFRS 9 (Prepayment features with negative compensation) and to IAS 28 (Investments in associates and joint ventures).

The amendments to IFRS 9 are intended to allow the measurement at amortised cost or fair value through other comprehensive income (OCI) of financial assets with an early repayment option using "negative compensation".

The amendments to IAS 28 (Long-term interests in associates and joint ventures) clarify that IFRS 9 applies to long-term receivables from an associate or joint venture which, in essence, form part of the net investment in the associate or joint venture.

The date of first application of the amendments, which are awaiting ratification by the European Commission, will be 1 January 2019.

### *Improvements to IFRS – 2015-2017 Cycle*

On 12 December 2017, the IASB issued a set of amendments to IFRSs (Annual Improvements to IFRSs – 2015-2017 Cycle) relating to the following standards:

- IFRS 3 (Business combinations);
- IFRS 11 (Joint arrangements);
- IAS 12 (Income taxes);
- IAS 23 (Borrowing costs).

The date of first application of the amendments, which are awaiting ratification by the European Commission, will be 1 January 2019.

### *Amendments to IAS 19*

On 7 February 2018, the IASB published amendments to IAS 19 (Plan amendment, curtailment or settlement). The aim of the amendments was to clarify how pension expenses are calculated when there is a change to a defined benefit plan.

The date of first application of the amendments, which are awaiting ratification by the European Commission, will be 1 January 2019.

**The Company will adopt these new standards, amendments and interpretations based on the effective date stipulated, and will assess their potential impact when they have been approved by the European Union.**

## **B. Key accounting principles and valuation criteria**

The accounting principles and valuation criteria adopted for the 2017 Annual Financial Statements of DeA Capital are the same as those used in drawing up the Consolidated Financial Statements, with the exception of specific principles and criteria relating to the Consolidated Financial Statements and methods for valuing subsidiaries and joint ventures, as specified below. Investments in subsidiaries and joint ventures are classified as available-for-sale assets and are measured at fair value with appropriate reserves of shareholders' equity as a balancing entry.

### ***Current and non-current assets and liabilities***

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

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

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

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

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

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

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

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

### ***Intangible assets***

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

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

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

The useful life of intangible assets is assessed as finite or indefinite.

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

Intangible assets with a finite useful life are amortised on a straight-line basis over their expected useful life. The useful life of these intangible assets is tested to check that their value is still appropriate whenever there are indications of possible impairment.

### ***Impairment***

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

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

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

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

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

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

When calculating the value, it is important to:

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

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

### **Tangible assets**

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

### **Financial assets**

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

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

Interests in subsidiaries and associates and investments in funds, which constitute the main, predominant area of the Parent Company's operations, are classified under available-for-sale assets, which are recorded at fair value with a balancing item in shareholders' equity.

IFRS 13.9 provides a "new" definition of fair value. It represents "the price that should be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

The concept of fair value has the following features:

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

Assets and liabilities measured at fair value may be:

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

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

In such cases:

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

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

Direct investments in companies that are neither subsidiaries nor associates and in venture capital funds are classified as available-for-sale financial assets, which are initially recognised at fair value on the date of the original posting. These assets are measured at fair value when all interim and full-year financial statements are prepared.

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

At each reporting date, a test is performed as to the existence of objective evidence of impairment following one or more events that have occurred after the initial recognition of the asset, and that this event (or events) has an impact on the estimated cash flow from the financial asset.

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

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

DeA Capital S.p.A. has adopted an accounting policy that defines these parameters. In particular, "significant" means there has been an objective reduction in value when fair value is more than 35% below its historical cost. In this case, impairment is recorded in the Income Statement without further analysis.

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

## **Trade receivables**

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

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

## **Cash and cash equivalents**

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

## **Held-for-sale assets**

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

## **Treasury shares**

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

## **Fair value reserve**

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

## **Financial liabilities**

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

## **Provisions for risks and future liabilities**

If necessary, the Company records provisions for risks and future liabilities when:

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

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

## **Revenues and income**

Service revenues are recognised at the time the services are rendered based on the progress of the activity on the reporting date.

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

Interest is reported using the effective interest rate method.

## **Employee benefits**

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

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

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

Specifically:

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

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

### ***Share-based payments***

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

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

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

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

### ***Income tax***

Current income taxes are determined and reported on the basis of a reasonable forecast of tax liability by applying the tax rates in force to taxable income, taking into account any exemptions and tax credits to which a company may be entitled.

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

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

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

The carrying values of deferred tax assets are analysed periodically and reduced to the extent that it is no longer probable that sufficient taxable income will be generated against which the benefits resulting from such deferred assets can be used.

### ***Earnings per share***

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

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

## **C. Changes in accounting principles and the treatment of errors**

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

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

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

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

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

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

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

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

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

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

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

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

As highlighted earlier, a significant proportion of the assets shown in the annual financial statements of DeA Capital S.p.A. is represented by unlisted financial investments. These investments are valued at their fair value, calculated by directors based on their best estimate and judgement using the knowledge and evidence available at the time the financial statements are prepared. However, due to objective difficulties in making assessments and the absence of a liquid market, the values assigned to such assets could differ, perhaps significantly, from those that could be obtained when the assets are sold.

### ***Information on the fair value hierarchy***

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

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

The table below shows assets valued at fair value by hierarchical level at 31 December 2017:

(EUR m)	Level 1	Level 2	Level 3	Total
Investments in Subsidiaries	0	25.4	149.7	175.1
Investments in Associates	0	19.0	0.0	19.0
Other investments - Available-for-sale	33.1	45.6	0.2	78.9
Available-for-sale funds	0	126.6	0.0	126.6
<b>Total</b>	<b>33.1</b>	<b>216.6</b>	<b>149.9</b>	<b>399.7</b>

For level 3, a reconciliation of the opening and closing balances is shown in the table below. Income and expenses posted to the Income Statement or shareholders' equity, and purchases and sales made during 2017, are identified separately:

(EUR thousand)	Balance at 1.1.2017	Increases	Decreases	Restatements	Impairment	Fair value adjustment	Balance at 31.12.2017
<b>Subsidiaries</b>							
DeA Capital Partecipazioni S.p.A.	130,889	1,850	0	0	(27,070)	0	105,669
DeA Capital Real Estate SGR S.p.A.	5,108	0	0	0	(736)	0	4,372
DeA Capital Alternative Funds SGR S.p.A.	39,700	0	0	0	0	0	39,700
<b>Other investments</b>							
Harvip Investimenti S.p.A.	184	0	0	0	0	0	184
<b>Total</b>	<b>175,881</b>	<b>1,850</b>	<b>0</b>	<b>0</b>	<b>(27,806)</b>	<b>0</b>	<b>149,925</b>

## **Valuation techniques and main unobservable input data**

### **Subsidiaries**

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

Equity investments are valued using calculation methodologies based on specific assumptions concerning:

- the growth of future cash flows contingent upon future events that can be assigned probabilities based on historical experience;
- the level of specific input parameters that are not listed on active markets; in all cases, the prices and spreads observed in the market are preferred for estimating these.

### ***DeA Capital Real Estate SGR S.p.A.***

The economic value of the subsidiary DeA Capital Real Estate SGR S.p.A. was estimated based on a specific report by an independent expert. The report was based on the sum of the parts model and calculated the value, defined as the sum of (i) the present value of dividend flows (DDM method) expected by DeA Capital Real Estate SGR S.p.A. and (ii) the present value of the carried interest flows expected from funds managed by the company (DCF method), both for the forecasting period in question (2018-2020) and future periods (using a projected terminal value based on normalised cash flows).

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

The valuation was based on a cost of capital of +11.8% plus a terminal value based on a growth (g) assumption of +1.4%.

The valuation necessitated an impairment charge of EUR -736 thousand.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Real Estate SGR S.p.A., i.e. the cost of capital and the growth rate (g) used, leads to a potential change in the Company's overall value of EUR -2.4/+2.7 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -0.9/+1.8 million (for changes of -0.5% and +0.5% in the growth rate (g)).

### ***DeA Capital Partecipazioni S.p.A.***

The economic value of the subsidiary DeA Capital Partecipazioni S.p.A. was estimated on the basis of a sum of the parts valuation, which mainly includes the value determined for the investments in DeA Capital Real Estate SGR S.p.A., as described in the previous section, and Innovation Real Estate.

The valuation at fair value of the investment at 31 December 2017 necessitated an impairment charge of EUR -27,070 thousand. This was mainly due to an adjustment in the value of DeA Capital Real Estate SGR S.p.A. as a result of the current/future trend in income from assets under management.

### ***DeA Capital Alternative Funds SGR S.p.A.***

The economic value of the subsidiary DeA Capital Alternative Funds SGR S.p.A. was estimated with the help of a specific report by an independent expert. The report was based on the sum of the parts model and calculated the value, defined as the sum of (i) the current value of dividend flows (DDM method) expected by DeA Capital Alternative Funds SGR S.p.A. and (ii) the current value of the carried interest flows expected from the funds managed by the same company (discounted cash flow method, or DCF), both for the forecasting period in question (2018-2022) and future periods (using a projected terminal value based on normalised cash flows).

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

The valuation was based on a cost of capital of between +9.7% and +11.3%, depending on (i) the period of the flows (2018-2022 or later) and (ii) the nature of these flows (dividends from the asset management company or carried interest from the managed funds), supplemented by a terminal value based on a growth assumption of +1.4%.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Alternative Funds SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -1.9/+2.1 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -1.0/+2.5 million (for changes of -0.5% and +0.5% in the rate of growth (g)).

### *Kenan Investments/Migros*

The shareholding in Kenan Investments (the indirect parent company of Migros) was recorded in the Financial Statements for the Year Ending 31 December 2017 at a value of EUR 45.6 million (compared with EUR 66.9 million at 31 December 2016).

The change compared with 31 December 2016 is the combined effect of:

- net proceeds (EUR 17.8 million) generated on 1 June 2017 following the exercise of the put option on a 9.75% stake in Migros;
- net proceeds (EUR 12.2 million) generated on 18 December 2017 following completion of transactions relating to the sale of a 7.3% stake in Migros;
- an increase in the fair value reserve (EUR +8.7 million) for the residual stake held in Kenan Investments, due to the combined effect of the rise in the price per share (TRY 27.56 per share at 31 December 2017, versus TRY 17.58 per share at 31 December 2016), and the devaluation of the Turkish lira against the euro (4.55 TRY/EUR at 31 December 2017, versus 3.72 TRY/EUR at 31 December 2016);
- "reversal" to the income statement of negative fair value reserves (relating partly to losses on the stakes sold and partly to permanent write-downs) of EUR 19.4 million.

As a result of the above transactions, Kenan Investments' stake in Migros came to around 23.2%, via DeA Capital's indirect pro-rata interest of approximately 4.0%.

### *Venture capital funds, funds of funds, co-investment fund and theme funds*

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

At 31 December 2017, the DeA Capital Group held units in the following funds:

- IDeA I FoF (valued at EUR 49.5 million);
- ICF II (valued at EUR 37.9 million);
- ICF III (valued at EUR 7.9 million);
- IDeA OF I (valued at EUR 25.4 million);
- IDeA EESS (valued at EUR 16.5 million);
- IDeA ToI (valued at EUR 20.7 million);
- IDeA CCR I (valued at EUR 1.6 million);
- Venere (valued at EUR 2.5 million);
- Santa Palomba (valued at EUR 0.4 million);
- six venture capital funds (with a total value of approximately EUR 8.6 million).

For venture capital funds, the fair value of each fund is based on the fund's stated NAV, calculated according to international valuation standards and adjusted if necessary to reflect capital reimbursements/calls that occurred between the reference date for the last available NAV and the balance sheet date.

For the other funds, the fair value of each fund is represented by the NAV advised by the management company in the fund management report for the year ending 31 December 2017, drafted in accordance with the Bank of Italy's regulation of 19 January 2015, as subsequently amended, on collective asset management.

## Notes to the Statement of Financial Position

### NON-CURRENT ASSETS

#### 1 - Intangible and tangible assets

##### 1a - Intangible assets

Changes in intangible assets are shown in the tables below:

(EUR thousand)	Historical cost at 1.1.2017	Cum. amort. & write-downs at 1.1.2017	Net carrying value at 1.1.2017	Historical cost at 31.12.2017	Cum. amort. & write-downs at 31.12.2017	Net carrying value at 31.12.2017
Concessions, licences and trademarks	350	(341)	9	350	(348)	2
<b>Total</b>	<b>350</b>	<b>(341)</b>	<b>9</b>	<b>350</b>	<b>(348)</b>	<b>2</b>

(EUR thousand)	Balance at 1.1.2017	Acquisitions	Disposals	Disposals (provision)	Amort.	Balance at 31.12.2017
Concessions, licences and trademarks	9	0	0	0	(7)	2
<b>Total</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7)</b>	<b>2</b>

The increase in "Concessions, licences and trademarks" relates to the acquisition of new software licences, the cost of which will be amortised over three years.

##### 1b - Tangible assets

Changes in tangible assets are shown in the tables below:

(EUR thousand)	Historical cost at 1.1.2017	Cum. depr. & write-downs at 1.1.2017	Net carrying value at 1.1.2017	Historical cost at 31.12.2017	Cum. depr. & write-downs at 31.12.2017	Net carrying value at 31.12.2017
Plant	7	(6)	1	7	(6)	1
Furniture and fixtures	418	(384)	34	422	(408)	14
Computer and office equipment	69	(62)	7	77	(70)	7
Leasehold improvements	663	(412)	251	663	(511)	152
Non-depreciable tangible assets	37	0	37	37	0	37
<b>Total</b>	<b>1,194</b>	<b>(864)</b>	<b>330</b>	<b>1,206</b>	<b>(995)</b>	<b>211</b>

(EUR thousand)	Balance at 1.1.2017	Acquisitions	Disposals (at cost)	Disposals (provision)	Depr.	Balance at 31.12.2017
Plant	1	0	0	0	0	1
Furniture and fixtures	34	4	0	0	(24)	14
Computer and office equipment	7	11	(3)	2	(10)	7
Leasehold improvements	251	0	0	0	(99)	152
Non-depreciable tangible assets	37	0	0	0	0	37
<b>Total</b>	<b>330</b>	<b>15</b>	<b>(3)</b>	<b>2</b>	<b>(133)</b>	<b>211</b>

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

The depreciation rates used in the financial statements are:

- specific equipment 20%;
- furniture and furnishings 12%;
- computer and office equipment 20%;
- leasehold improvements 15%.

## 2 - Financial investments

### 2a - Investments in subsidiaries

Investments in subsidiaries are measured at fair value in accordance with IAS 27 and IFRS 13.

Details of the existing investments at 31 December 2017 are shown in the table below.

(EUR thousand)	% shareholding at 31.12.17	Value at 31.12.17	% shareholding at 31.12.16	Value at 31.12.16
DeA Capital Partecipazioni S.p.A.	100.00%	105,669	100.00%	130,889
IDeA Opportunity Fund I	46.99%	25,446	46.99%	44,168
DeA Capital Real Estate SGR S.p.A.	3.00%	4,373	3.00%	5,108
DeA Capital Alternative Funds SGR S.p.A.	100.00%	39,700	100.00%	39,700
<b>Total</b>		<b>175,188</b>		<b>219,865</b>

The changes in the item in question at 31 December 2017 compared with end-2016 are detailed below, asset by asset.

#### **DeA Capital Partecipazioni S.p.A.**

The investment in the Consolidated Financial Statements for the Year Ending 31 December 2017 is approximately EUR 105,669 thousand. The change in the carrying amount compared with 31 December 2016 is due to the payment made by the Parent Company of EUR +1,850 thousand and impairment on the investment of EUR -27,070, which, in turn, is due to the current/future trend in income from assets under management.

In view of the calculation of the fair value of DeA Partecipazioni S.p.A. using the sum of the parts model (including, in particular, the value of the investments held in DeA Capital Real Estate SGR S.p.A. and the value of the intangible assets connected with the variable fees of the funds managed by said asset management company), the impairment is largely the result of adjusting the fair value of the subsidiary DeA Capital Real Estate SGR S.p.A. to EUR 145.7 million (compared with a fair value of EUR 169.5 million reflected in the valuation of DeA Capital Partecipazioni S.p.A. at 31 December 2016).

As described above, DeA Capital Real Estate S.p.A. was, in turn, valued using the sum of the parts model, by determining the value in use, calculated as the sum of (i) the present value of dividend flows (DDM method) expected by DeA Capital Real Estate S.p.A. and (ii) the present value of the carried interest flows expected from the funds managed by the same company (DCF method), both for the specific period covered by the forecasts (2018-2020) and for those in the future (using a projected terminal value based on normalised cash flows).

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

The valuation was based on a cost of capital of +11.8% plus a terminal value based on a growth (g) assumption of +1.4%.

### **IDeA Opportunity Fund I (IDeA OF I)**

The units in IDeA OF I are valued at around EUR 25,446 thousand in the Financial Statements at 31 December 2017. The change in the carrying value compared with 31 December 2016 was due to contributions made for capital calls totalling EUR +951 thousand, capital reimbursements of EUR -18,264 thousand and a net decrease in fair value of around EUR -1,409 thousand.

The fair value of each fund is represented by the NAV advised by the management company in the fund management report for the year ending 31 December 2017, drafted in accordance with the Bank of Italy's regulation of 19 January 2015, as subsequently amended, on collective asset management.

### **DeA Capital Real Estate SGR S.p.A.**

The investment in the Consolidated Financial Statements for the Year Ending 31 December 2017 is approximately EUR 4,373 thousand.

The fair value measurement of the equity investment, which was based on the documents received and the information available, using the approach described in detail above, necessitated an impairment charge of EUR -736 thousand.

### **DeA Capital Alternative Funds SGR S.p.A.**

The investment in the Consolidated Financial Statements for the Year Ending 31 December 2017 is approximately EUR 39,700 thousand.

The calculation of the fair value of DeA Capital Alternative Funds SGR S.p.A. was carried out using the sum of the parts model by determining the value in use, calculated as the sum of (i) the present value of dividend flows (DDM method) expected by DeA Capital Alternative Funds SGR S.p.A. and (ii) the present value of the carried interest flows expected from funds managed by the same company (DCF method), both for the specific period covered by the forecasts (2018-2022) and for those in future (using a projected terminal value based on normalised cash flows).

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

The valuation was based on a cost of capital of between +9.7% and +11.3%, depending on (i) the period of the flows (2018-2022 or later) and (ii) the nature of these flows (dividends from the asset management company or carried interest from the managed funds), supplemented by a terminal value based on a growth assumption of +1.4%.

A list of the equity investments with the information required under art. 2427 of the Italian Civil Code is shown in the table below:

#### **List of equity investments in subsidiaries at 31.12.2017**

Company	Registered office	Currency	Share capital	Consolidated shareholders' equity	Consolidated net profit/ (loss) for the year	% shareholders' holding	Share of shareholders' equity (EUR)	Carrying value (EUR)
DeA Capital Partecipazioni S.p.A.	Milan, Italy	EUR	600,000	61,366,389	436,636	100.00%	61,366,389	105,668,754
IDeA Opportunity Fund I	Milan, Italy	EUR	78,749,439	54,156,635	(724,693)	46.99%	25,448,203	25,446,490
DeA Capital Real Estate SGR S.p.A.	Rome, Italy	EUR	16,757,557	168,274,615	(31,998,787)	3.00%	5,048,238 <sup>(*)</sup>	4,372,500
DeA Capital Alternative Funds SGR S.p.A.	Milan, Italy	EUR	1,200,000	8,035,156	3,133,397	100.00%	8,035,156	39,700,000
<b>Total</b>				<b>(29,153,447)</b>			<b>99,897,986</b>	<b>175,187,744</b>

(\*) Doesn't include the portion of Shareholders equity attributable to holders of SFP.

## 2b - Investments in associated companies and funds

At 31 December 2017, this item totalled EUR 18,953 thousand, as shown in the following table.

(EUR thousand)	Balance at 1.1.2017	Capital increases	Capital decreases	Fair value adjustment	Impairment on income statement	Balance at 31.12.2017
Venere	3,935	0	(1,279)	0	(186)	2,470
IDeA EESS	16,898	603	(4,165)	3,147	0	16,483
<b>Total</b>	<b>20,833</b>	<b>603</b>	<b>(5,444)</b>	<b>3,147</b>	<b>(186)</b>	<b>18,953</b>

The changes in this item at 31 December 2017 compared with end-2016 relate to:

- a decrease of EUR -3,562 thousand in the units of IDeA EESS due to capital calls paid during the year of EUR +603 thousand and capital reimbursements collected of EUR -4,165 thousand;
- a decrease of EUR -1,279 thousand in the units of Venere due to the capital reimbursements collected during the year;
- the fair value measurement of associated companies resulting in an increase of EUR +3,147 thousand for IDeA EESS and impairment of EUR -186 thousand for Venere.

## 2c - Investments in other companies

This item, which totalled EUR 78,898 thousand at 31 December 2017, includes the investments in Crescita S.p.A., IDeaMI S.p.A., Kenan Investments S.A. and Harvip Investimenti S.p.A., as shown in the following table.

(EUR thousand)	Balance at 1.1.2017	Increases (capital call)	Decreases (capital distribution)	Fair value adjustment	Impairment on Income statement	Balance at 31.12.2017
Crescita S.p.A.	0	7,775	0	385	0	8,160
IDeaMI S.p.A.	0	25,000	0	(21)	0	24,979
Kenan Investments S.A.	66,946	0	(30,040)	8,669	0	45,575
Harvip Investimenti S.p.A.	184	0	0	0	0	184
<b>Total</b>	<b>67,130</b>	<b>32,775</b>	<b>(30,040)</b>	<b>9,033</b>	<b>0</b>	<b>78,898</b>

The changes in this item at 31 December 2017 compared with end-2016 relate to:

- an increase of EUR +7,775 due to the subscription of the minority interest in Crescita S.p.A. (5.8% of total shares issued), which is a SPAC engaged in researching and selecting unlisted operating companies with which to carry out a business combination within 24 months of listing (March 2017);
- an increase of EUR +25,000 due to the subscription of the minority interest in IDeaMI S.p.A. (9.7% of total shares issued), which is a SPAC engaged in researching and selecting medium-sized, unlisted, Italian companies with high value-creation potential with which to carry out a business combination within 24 months of listing (November 2017);
- a decrease of EUR -30,040 thousand in the stake in Kenan Investments S.A. as a result of capital reimbursements collected;
- the fair value adjustment to Investments in other companies is mainly attributable (EUR +28,071 thousand) to Kenan Investments S.A. Of this change, EUR +19,404 thousand is due to the "reversal" to the Income Statement (relating partly to losses on the stakes sold and partly to permanent write-downs) of negative fair value reserves already existing at end-2016; the residual EUR +8,669 thousand is due to the revaluation of the residual portion of the investment (due to the combined effect of the rise in the price per share and the devaluation of the Turkish lira against the euro, as specified above).

Note that the Company is also a shareholder in other smaller companies with a carrying value of zero, as said companies are in liquidation or dormant.

## 2d - Available-for-sale funds

This item relates to investments in six venture capital funds totalling EUR 8,599 thousand, compared with EUR 9,488 thousand at the end of 2016, and six closed-end mutual investment funds in an amount of EUR 118,016 thousand, compared with EUR 128,592 thousand at end-2016, as shown in the table below.

(EUR thousand)	Balance at 1.1.2017	Increases (capital call)	Decreases (capital distribution)	Impairment and related exchange effect	Fair value adjustment	Translation effect	Balance at 31.12.2017
Total venture capital funds	9,488	0	(180)	(58)	(111)	(540)	8,599
IDeA I FoF	69,015	1,235	(17,003)	0	(3,785)	0	49,462
ICF II	47,000	714	(11,257)	0	1,490	0	37,946
ICF III Core	520	120	0	0	12	0	652
ICF III Credit & Distressed	2,897	145	0	0	(147)	0	2,895
ICF III Emerging Markets	3,489	923	0	0	(18)	0	4,395
IDeA ToI	5,196	5,218	0	0	10,245	0	20,658
IDeA CCR I CD	75	0	(8)	0	(1)	0	65
IDeA CCR I NF	0	1,825	(253)	0	(55)	0	1,517
Santa Palomba	402	0	0	0	24	0	425
<b>Total funds</b>	<b>138,080</b>	<b>10,181</b>	<b>(28,702)</b>	<b>(58)</b>	<b>7,653</b>	<b>(540)</b>	<b>126,614</b>

During 2017, the Company received capital reimbursements of EUR 28,702 thousand.

In December 2017, DeA Capital Alternative Funds SGR also launched the IDeA Corporate Credit Recovery II fund, the second debtor-in-possession financing fund, which aims to help relaunch medium-sized Italian companies that are facing financial difficulties but have solid business fundamentals.

### Venture capital funds

The fair value measurement of investments in venture capital funds at 31 December 2017, carried out based on the information and documents received from the funds, as well as other available information, meant that the amount had to be written down, along with the related exchange effect, by EUR 58 thousand; the significant reduction to below cost was considered clear evidence of impairment.

The other changes were for the decrease in fair value (and related exchange effect) of EUR 651 thousand.

### Closed-end mutual investment funds

Units of closed-end funds amounted to approximately EUR 118,016 thousand. The change in the carrying value compared with 31 December 2016 was due to contributions made for capital calls totalling EUR 10,181 thousand, capital reimbursements of EUR -28,522 thousand and a net increase in fair value of around EUR +7,764 thousand.

## 3 - Other non-current assets

### 3a - Deferred tax assets

Deferred tax assets of EUR 20,492 thousand were fully offset against deferred tax liabilities.

The changes in deferred tax assets and deferred tax liabilities are shown in the table below:

(EUR thousand)	Balance at 1.1.2017	Recognised in income statement	Recognised in equity	Balance at 31.12.2017
Losses carried forward available for offset against future taxable profits	18,668	1,824	0	20,492
<b>Total deferred tax assets</b>	<b>18,668</b>	<b>1,824</b>	<b>0</b>	<b>20,492</b>
Deferred tax liabilities for:				
- available-for-sale financial assets	(18,668)	0	(1,824)	(20,492)
<b>Total deferred tax liabilities</b>	<b>(18,668)</b>	<b>0</b>	<b>(1,824)</b>	<b>(20,492)</b>
<b>Total deferred tax assets, net of deferred tax liabilities</b>	<b>0</b>	<b>1,824</b>	<b>(1,824)</b>	<b>0</b>

No further deferred tax assets were allocated against the significant tax losses of DeA Capital S.p.A. (of which around EUR 108,074 thousand is fully usable and about EUR 879 thousand partly usable, i.e. the whole amount cannot be transferred to the tax consolidation scheme) as there was insufficient information to suggest that taxable income could be generated in future periods against which such tax losses could be recovered.

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

## 4 - Current assets

At 31 December 2017, current assets were approximately EUR 93,134 thousand compared with EUR 74,231 thousand at 31 December 2016.

### 4a - Trade receivables

This item totalled EUR 758 thousand (EUR 156 thousand at 31 December 2016) and relates to:

- EUR 261 thousand from DeA Capital Real Estate SGR, EUR 138 thousand from DeA Capital Alternative Funds SGR, EUR 1 thousand from Lottomatica for the pro rata reimbursement for improvements to leased assets incurred for the building at Via Brera, 21;
- EUR 230 thousand from third parties for services;
- EUR 103 thousand from De Agostini S.p.A. for the agreement to sublet rented premises and the reimbursement of costs associated with said agreement, and the pro rata reimbursement for improvements to leased assets incurred for the building at Via Brera, 21;
- EUR 15 thousand from SPC S.p.A. for services;
- EUR 10 thousand from Innovation Real Estate (IRE) for directors' emoluments.

These receivables break down by region as follows:

- 54.48% from Italian subsidiaries;
- 30.37% from Italian customers;
- 13.66% from Italian parent companies;
- 1.32% from Italian associates;
- 0.17% from Italian affiliates.

#### **4b - Financial receivables**

The item, amounting to EUR 2,138 thousand as at 31 December 2016, included the revolving credit facility in favour of Sigla S.r.l., which was repaid as at 31 December 2017.

#### **4c - Tax receivables relating to the tax consolidation scheme due from parent companies**

This item, totalling EUR 900 thousand at 31 December 2017 (EUR 1,637 thousand at 31 December 2016) relates to the receivable from the Parent Company De Agostini S.p.A. (formerly B&D Holding di Marco Drago e C. S.a.p.A.) for participation in the tax consolidation scheme.

#### **4d - Other tax receivables**

This item, totalling EUR 720 thousand (EUR 1,171 thousand at 31 December 2016), relates to:

- tax deductions in the form of advance payments on interest of EUR 20 thousand;
- advance payments made in relation to foreign direct and indirect taxes in Luxembourg of EUR 6 thousand;
- a receivable of EUR 241 thousand arising from the settlement of VAT relating to 2017;
- a receivable arising from an application for an IRES refund due to the non-deduction of IRAP relating to personnel costs for 2010-2011, of EUR 94 thousand;
- a receivable of EUR 359 thousand arising from the ruling by the Milan provincial tax court on the inspections for the tax periods 2009-2010, recorded for IDeA Alternative Investments S.p.A. (a company that was merged by incorporation into DeA Capital S.p.A. with effect from 1 January 2012), against which the Company had filed an appeal.

#### **4e - Other receivables**

These receivables, totalling EUR 513 thousand (EUR 507 thousand at 31 December 2016), relate mainly to prepaid expenses and receivables for guarantee deposits.

These receivables fall due within the next year.

#### **4f - Cash and cash equivalents**

Cash and cash equivalents consist of bank deposits and cash (EUR 4 thousand), including interest accrued at 31 December 2017. This item totalled EUR 90,245 thousand at end-2017 compared with EUR 68,622 thousand at end-2016.

This increase is primarily due to the combined effect of the following factors:

- receipt of dividends of EUR +10,500 thousand from DeA Capital Partecipazioni, EUR +152 thousand from DeA Capital Real Estate SGR and EUR +1,500 thousand from DeA Capital Alternative Funds SGR;
- payment of dividends of EUR -31,157 thousand;
- receipt of EUR +40,901 thousand for distributions received from available-for-sale funds excluding capital calls paid;
- receipt of EUR +30,040 thousand for the reduction in the stake in Migros, EUR +11,548 thousand for the sale of the two investments held in Sigla Luxembourg S.A. and EUR +629 thousand due to the completion of the liquidation of the investee Santé S.A.;
- outlay of EUR -1,850 thousand for a capital increase in the subsidiary DeA Capital Partecipazioni, EUR -7,775 thousand for the subscription to units in Crescita and EUR -25,000 thousand for the subscription to units in IDeaMI;
- receipt of EUR +1,722 thousand in remuneration for losses transferred to Parent Company De Agostini S.p.A. (formerly B&D Holding di Marco Drago e C. S.a.p.A.) for participation in the tax consolidation scheme;
- interest of EUR +6 thousand and reimbursement of EUR +2,130 thousand for the credit line granted to Sigla S.r.l.;
- revenues for services of EUR +1,234 thousand;
- service expenses, net of reimbursements to parent companies and associates, of EUR -5,146 thousand;
- outlay of EUR -7,767 thousand for treasury share purchase plan, net of stock options exercised by the company's management.

Please see the Company's Cash Flow Statement for further information on changes to this item.

## 5 - Held-for-sale assets

At 31 December 2016, this item consisted of the investment in Sigla Luxembourg S.A. of EUR 11,487 thousand. In December 2017, Sigla Luxembourg S.A. completed the sale of the 100% holdings in Sigla and SiCollection to Alchemy Special Opportunities Fund. The transaction generated proceeds for the Company of EUR 11,548 thousand and a capital gain of EUR 347 thousand in the Income Statement. Sigla Luxembourg S.A. was in liquidation at 31 December 2017.

## 6 - Shareholders' equity

At 31 December 2017, shareholders' equity totalled approximately EUR 490,574 thousand, compared with EUR 529,671 thousand at 31 December 2016.

The decrease of around EUR -39,097 thousand in shareholders' equity in 2017 was mainly due to:

- an increase of EUR +35,177 thousand in the fair value reserve;
- the purchase of treasury shares in the amount of EUR -8,042 thousand;
- the distribution of a dividend of EUR -31,157 thousand;
- the loss of EUR -36,601 thousand for the period.

Please see the Statement of Changes in Shareholders' Equity for more information on the main changes in this item.

### 6a - Share capital

The share capital (fully subscribed and paid up) totalled EUR 306,612,100, represented by 306,612,100 shares (of which 50,942,428 treasury shares) with a nominal value of EUR 1 each.

Given that the nominal value of the 50,942,428 treasury shares held at 31 December 2017 is deducted from total share capital, share capital of EUR 255,669,672 is shown in the Financial Statements.

Changes in share capital are shown in the table below:

(EUR thousand)	31.12.2017		31.12.2016	
	No. of shares	amount	No. of shares	amount
<b>Share capital</b>	<b>306,612,100</b>	<b>306,612</b>	<b>306,612,100</b>	<b>306,612</b>
of which: Own shares	(50,942,428)	(50,942)	(45,404,954)	(45,405)
<b>Share capital (excluding own shares)</b>	<b>255,669,672</b>	<b>255,670</b>	<b>261,207,146</b>	<b>261,207</b>

The table below shows a reconciliation of the shares outstanding:

	Shares issued	Own shares in portfolio	Shares in issue
<b>Shares at 31 December 2016</b>	<b>306,612,100</b>	<b>(45,404,954)</b>	<b>261,207,146</b>
<i>Changes in 2017</i>			
Share capital increase	0	0	0
Own shares purchased	0	(6,018,045)	(6,018,045)
Own shares sold	0	0	0
Own shares disposed of	0	0	0
Used for stock options plan	0	480,571	480,571
Shares issued for stock options	0	0	0
<b>Shares at 31 December 2017</b>	<b>306,612,100</b>	<b>(50,942,428)</b>	<b>255,669,672</b>

## 6b - Share premium reserve (net of share issue costs reserve)

This item decreased by EUR -32,927 thousand (from EUR 267,640 thousand at 31 December 2016 to EUR 234,713 thousand at 31 December 2017) after the distribution of dividends (EUR -31,157 thousand), the purchase of treasury shares (EUR -2,024 thousand) and the exercise of stock options and performance shares by the Company's management (EUR +254 thousand).

Changes in the share premium reserve are shown in the table below:

(EURO)	Share premium reserve	Own shares in portfolio	Costs relating to share issue	Total
<b>Shares at 31 December 2016</b>	<b>302,781,857</b>	<b>(27,313,518)</b>	<b>(7,828,172)</b>	<b>267,640,167</b>
<i>Changes in 2017</i>				
Share capital increase	0	0	0	0
Distribution of dividends	(31,156,647)	0	0	(31,156,647)
Own shares purchased	0	(2,024,644)	0	(2,024,644)
Own shares disposed of	0	0	0	0
Used for stock options plan	0	0	0	0
Shares issued for stock options	0	254,409	0	254,409
<b>Shares at 31 December 2017</b>	<b>271,625,210</b>	<b>(29,083,753)</b>	<b>(7,828,172)</b>	<b>234,713,285</b>

## 6c - Legal reserve

This reserve totalled EUR 61,322 thousand, which was unchanged from the figure at 31 December 2016.

## 6d - Fair value reserve

The fair value reserve is positive at EUR +61,274 thousand (compared with EUR +26,097 thousand at 31 December 2016) and comprises:

- the reserve for first-time adoption of IAS/IFRS, which had a negative balance of EUR -3,745 thousand is unchanged from 31 December 2016;
- positive fair value reserves totalling EUR +65,019 thousand compared with a positive value of EUR +29,842 thousand at 31 December 2016.

The table below shows a summary of the changes in this item during the year:

(EUR thousand)	Balance at 1.1.2017	Use of fair value reserve for impairment	Fair value adjustment	Tax effect	Balance at 31.12.2017
Direct investments/equity investments	(27,785)	19,402	8,362	0	(21)
Venture capital	2,343	0	(651)	156	1,848
Closed-end mutual investment funds	55,284	0	9,887	(1,979)	63,192
Reserve for IFRS first-time adoption to other reserves	(3,745)	0	0	0	(3,745)
<b>Total</b>	<b>26,097</b>	<b>19,402</b>	<b>17,598</b>	<b>(1,823)</b>	<b>61,274</b>

## **6e - Other reserves**

Other reserves, totalling EUR 1,238 thousand, comprise:

- a reserve for stock option costs totalling EUR +1,689 thousand;
- a reserve for the merger of the subsidiary IDeA Alternative Investments totalling EUR -831 thousand;
- a reserve for actuarial gains/losses on the end-of-service payment fund of EUR -33 thousand;
- a reserve for the sale of option rights, unchanged from 31 December 2016, totalling EUR +413 thousand. This originated from the sale of the remaining option rights to subscribe to a capital increase that had not been exercised by the shareholders, and were sold by the Company.

## **6f - Retained earnings (losses) carried forward**

This item totalled EUR -87,043 thousand and includes profits/losses carried forward from previous periods.

## **6g - Profit/(loss) for the year**

This item shows a loss of EUR -36,601 thousand for 2017, compared with a profit of EUR +7,574 thousand for the year 2016.

*Art. 2427, para. 1, 7-bis of the Italian Civil Code: details of shareholders' equity items*

The table below shows a breakdown of shareholders' equity at 31 December 2017, with details of the origin of the items, their potential uses and whether or not they can be distributed, and their use in previous years:

Description (in EUR)	Amount	Potential use	Amount available	Summary of use in the three previous years	
				to cover losses	for other reasons
Share capital	306,612,100	=	=		
Share premium reserve	271,625,210	A,B,C	271,625,210	=	111,262,934
Legal reserve	61,322,420	B	=	=	=
Reserve for costs relating to share issue	(68,959,537)	=	=	=	=
Treasury shares	(80,026,181)	=	=	=	=
<b>TOTAL</b>	<b>490,574,012</b>				

Key: A = capital increase, B = to cover loss, C = distribution to shareholders

## 7 - Non-current liabilities

### 7a - End-of-service payment fund

The end-of-service payment fund is a defined benefit plan, and has therefore been valued using actuarial assessments. The assumptions used in calculating the fund were: a discount rate of 1.30%; an annual rate of inflation of 1.50%; annual salary growth of 2.50%; and an annual fund growth rate of 2.63%.

Changes in the end-of-service payment fund are summarised as follows:

(EUR thousand)	Balance at 1.1.2017	Portion accrued	Payments	Advances	Balance at 31.12.2017
<b>Movement in end-of-service payment fund</b>	<b>345</b>	<b>41</b>	<b>(43)</b>	<b>(22)</b>	<b>321</b>

The amounts concerned were calculated as follows:

(EUR thousand)	31.12.2017	31.12.2016
Nominal value of end-of-service payment fund	330	296
Discounting effect	(9)	49
<b>Current value of end-of-service payment fund</b>	<b>321</b>	<b>345</b>

## 8 - Current liabilities

Total current liabilities amounted to EUR 2,107 thousand (EUR 1,969 thousand at 31 December 2016) and are all due within the following year. These payables are not secured on any company assets.

### 8a - Trade payables

This item totalled EUR 1,024 thousand, compared with EUR 914 thousand in the previous year, and stems from ordinary operations.

The item "Transactions with Related Parties" includes payables to the subsidiary De Agostini Editore S.p.A. of around EUR 53 thousand.

A breakdown of these payables by region is set out below:

- 92.92% due to suppliers in Italy;
- 5.21% due to suppliers in respect of affiliates in Italy;
- 1.32% due to suppliers in Luxembourg;
- 0.37% due to suppliers in the US;
- 0.18% due to suppliers in the UK.

Trade payables do not accrue interest and are settled, on average, within 30 to 60 days.

### 8b - Payables to staff and social security organisations

This item amounted to EUR 821 thousand (EUR 687 thousand at 31 December 2016) and breaks down as follows:

- EUR 245 thousand for payables to social security organisations, paid after the end of financial year 2017;
- EUR 576 thousand for payables to staff for holidays not taken and accrued bonuses.

### 8c - Tax payables to subsidiaries

This item, which amounts to EUR 64 thousand (unchanged on 31 December 2016), relates to the payable to subsidiary DeA Capital Alternative Funds SGR S.p.A. regarding the application for an IRES refund due to the non-deduction of IRAP in respect of personnel costs for 2010/2011.

#### **8d - Other tax payables**

This item amounted to EUR 188 thousand (EUR 264 thousand at 31 December 2016) and consists of payables to the tax authorities in respect of taxes deducted from the income of employees and self-employed staff.

#### **8e - Other payables**

This item amounted to EUR 10 thousand (EUR 40 thousand at 31 December 2016) and mainly consists of a payable for dividends not yet paid.

#### **Contingent liabilities**

IAS 37 defines a contingent liability as an obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Company must assess the risk deriving from the contingent liability and must recognise the related risk provision only if it considers such risk to be possible or probable.

The Company considers the risk for the following contingent liabilities to be remote and therefore did not make any accounting entries; however, it has made the following disclosures.

On 17 December 2014, DeA Capital S.p.A. received an assessment notice for the 2009 tax period relating to IDeA Alternative Investments S.p.A., a company which was merged into DeA Capital S.p.A. with effect from 1 January 2012. The assessment, which alleged that revenues had been under-reported, was challenged in an appeal by DeA Capital before the Milan Provincial Tax Court.

Subsequently, on 10 November 2015, DeA Capital S.p.A. received another assessment notice relating to IDeA Alternative Investments S.p.A. for the 2010 tax period. The assessment alleged that revenues had been under-reported and that spin-off costs had been unduly deducted. This assessment was also challenged in an appeal by DeA Capital before the Milan Provincial Tax Court.

On 14 November 2016, the Milan Provincial Tax Court accepted the appeals filed regarding the alleged under-reporting of revenues for the years 2009/2010 in full and the appeal regarding the spin-off costs in part. The contingent liability – not recorded by the Company – which could derive from the fact that the latter appeal was only partially accepted is EUR 74 thousand, taking into account fines and interest).

On 14 June 2017, the Tax Authority – Provincial Division of Milan filed an appeal with the Regional Tax Court of Lombardy against the first instance ruling on the dispute in question, resubmitting all the findings initially formulated. The Regional Tax Court of Lombardy heard the dispute in question on 23 February 2018. The outcome of the hearing was not available at the time the Financial Statements were prepared.

# Notes to the Income Statement

## 9 - Revenues and income

### 9a - Investment income and expenses

Net expenses arising from investments totalled EUR 34,446 thousand in 2017 (compared with net income of EUR 9,269 thousand in 2016).

Details of this item are shown below:

(EUR thousand)	Financial year 2017	Financial year 2016
Dividends from subsidiaries and other income	12,152	10,223
Income from liquidation of Santè S.A.	629	0
Capital gains on disposals	227	0
<b>Investment income</b>	<b>13,008</b>	<b>10,223</b>
Losses from available-for-sale funds - Kenan Investments S.A.	7,937	0
Impairment DeA Capital Real Estate SGR S.p.A	736	0
Impairment DeA Capital Partecipazioni S.p.A.	27,070	0
Impairment Kenan Investments S.A.	11,465	0
Impairment venture capital funds	60	109
Impairment closed-end mutual investment funds	186	845
<b>Investment charges</b>	<b>47,454</b>	<b>954</b>
<b>Total</b>	<b>(34,446)</b>	<b>9,269</b>

### Dividends from associates and other income

The item comprises dividends paid out by:

- DeA Capital Alternative Funds SGR S.p.A. in the amount of EUR 1,500 thousand;
- DeA Capital Partecipazioni S.p.A., in the amount of EUR 10,500 thousand;
- DeA Capital Real Estate SGR S.p.A., in the amount of EUR 152 thousand.

### Losses from investments in other companies

This item, EUR 7,937 thousand, refers to the capital losses realised on the sales of Migros shares completed during the year by the subsidiary Kenan Investments.

### Impairment of available-for-sale equity interests and funds

The fair value measurement of investments in shareholdings and funds at 31 December 2017, based on the documents received and the information available, made it necessary to record:

- impairment of EUR 27,806 thousand directly on investments in subsidiaries and other companies;
- impairment of EUR 11,465 thousand recognised in the Income Statement as a reclassification, according to the Group's accounting policies for negative fair value reserves of the subsidiary Kenan Investments S.A. in existence for more than 24 months;
- impairment of EUR 60 thousand directly on venture capital investments;
- impairment of EUR 186 thousand relating directly to closed-end mutual investment funds.

The significant reduction below cost was considered clear evidence of impairment.

## **9b - Service revenues**

Income of EUR 3,172 thousand was reported in 2017 (EUR 1,817 thousand in 2016), attributable to the reimbursement of costs or supply of services, in the following amounts:

- EUR 1,189 thousand for services to third parties;
- EUR 1,013 thousand from DeA Capital Real Estate SGR;
- EUR 519 thousand from DeA Capital Alternative Funds SGR;
- EUR 356 thousand from De Agostini S.p.A.;
- EUR 40 thousand from DeA Capital Partecipazioni;
- EUR 26 thousand from Lottomatica;
- EUR 24 thousand from SPC;
- EUR 4 thousand from IRE;
- EUR 1 thousand from Innovation Real Estate Advisor

## **10 - Operating costs**

### **10a - Personnel costs**

Personnel costs totalled EUR 3,661 thousand, compared with EUR 2,990 thousand in 2016.

The item breaks down as follows:

(EUR thousand)	Financial year 2017	Financial year 2016
Salaries and wages	1,725	1,677
Social security charges	489	469
Remuneration for the Board of Directors	52	16
Stock options figurative cost	1,227	674
End-of-service payment fund	145	112
Other personnel costs	23	42
<b>Total</b>	<b>3,661</b>	<b>2,990</b>

The Parent Company has 20 employees (15 at 31 December 2016).

The table below shows changes and the average number of Parent Company employees during the year.

<b>Employees</b>	<b>1.1.2017</b>	<b>Recruits</b>	<b>Departures</b>	<b>31.12.2017</b>	<b>Average no.</b>
Senior managers	4	2	1	5	5
Senior managers on fixed-term contracts	1	0	1	0	0
Junior managers	3	3	0	6	5
Staff	7	3	1	9	8
<b>Total</b>	<b>15</b>	<b>8</b>	<b>3</b>	<b>20</b>	<b>18</b>

### **Share-based payments**

Employees of DeA Capital S.p.A. and the Parent Company, De Agostini S.p.A., are beneficiaries of stock option and performance share plans based on the shares of DeA Capital S.p.A. Unexercised but still valid call options on the Company's shares at 31 December 2017 totalled 2,954,729.

Stock option plans were valued using the numerical binomial tree procedure (the original Cox, Ross and Rubinstein method). Numerical analysis using binomial trees generates simulations of various possible developments in the share price in future periods.

On 20 April 2017, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2017-2019, under which a maximum of 1,200,000 units may be granted. On the same date, in implementation of the shareholders' resolution, the Board of Directors of DeA Capital S.p.A. voted: (i) to launch the Performance Share Plan 2017-2019 approved by the Shareholders' Meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and (ii) to grant 975,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.

On 27 July 2017, under the same Performance Share Plan 2017-2019, a further 100,000 units were granted to employees with specific duties.

Shares granted due to the vesting of units will be drawn from treasury shares already held by the Company.

In addition, the plan enables DeA Capital to oblige beneficiaries to return, in full or in part, shares received pursuant to the plan, should circumstances emerge that clearly show that incorrect data have been used to verify the achievement of the targets for the vesting of the units (known as "claw-back").

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

On 8 November 2017, in view of the distribution of the extraordinary dividend of EUR 0.12 per share approved by the Shareholders' Meeting on 20 April 2017, the Board of Directors of DeA Capital, as the competent body pursuant to the plans' regulations, approved a number of amendments to the existing Performance Share Plans in order to keep the substance and financial content unchanged. Specifically, the Board voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, in the event that the vesting conditions are met, by granting new units, to be determined on the vesting date, valued at the price per share on the same date and commensurate with the portion of units that has vested, until the maximum number of units provided for in the above-mentioned plans is used up. The Board also resolved that where the lower value of the plans cannot be compensated for by the granting of new units, a one-off bonus will be paid as compensation in cash, commensurate with the portion of units that has vested.

The terms and conditions of the above-mentioned Performance Share Plan 2017-2019 are described in the Information Prospectus prepared in accordance with art. 84-bis of Consob Resolution 11971 of 14 May 1999 (Issuer Regulations), available to the public at the registered office of DeA Capital S.p.A. and on the Company's website [www.deacapital.com](http://www.deacapital.com) (in the section Corporate Governance/Incentive Plans).

### **10b – Service costs**

The table below shows a breakdown of service costs, which came in at EUR 4,649 thousand in 2017 (EUR 4,497 thousand in 2016):

(EUR thousand)	Financial year 2017	Financial year 2016
Management, tax, legal consultancy and other fees	1,473	1,372
Fees to corporate bodies	197	222
Ordinary maintenance	160	129
Travel expenses	68	58
Utilities and general expenses	2,564	2,579
Bank charges	30	30
Advertising, conferences, online subscriptions, office supplies	146	96
Other charges	11	11
<b>Total</b>	<b>4,649</b>	<b>4,497</b>

### **10c - Depreciation and amortisation**

Please see the table on changes in intangible and tangible assets for details on this item.

### **10d - Other charges**

This item was EUR 48 thousand (EUR 72 thousand in 2016) and mainly included registration taxes and regional taxes.

## **11 - Financial income and charges**

### **11a - Financial income**

Financial income totalled EUR 73 thousand, compared with EUR 178 thousand in 2016. This item included interest income of EUR 70 thousand and exchange rate gains of EUR 3 thousand.

Interest income mainly comprises EUR 64 thousand of interest on the loan, now paid off, to Sigla S.r.l.

(EUR thousand)	<b>Financial year 2017</b>	<b>Financial year 2016</b>
Interest income	70	175
Exchange gains	3	3
<b>Total</b>	<b>73</b>	<b>178</b>

### **11b - Financial charges**

Financial charges totalled EUR 9 thousand, compared with EUR 164 thousand in 2016. These mainly included financial liabilities and losses on hedging derivatives and exchange rates.

Specifically, financial charges break down as follows:

- negative adjustment following the discounting to present value of the end-of-service provisions accrued in 2017, of EUR 5 thousand;
- exchange rate losses of EUR 4 thousand.

(EUR thousand)	<b>Financial year 2017</b>	<b>Financial year 2016</b>
Interest expense	0	116
Interest's realignment on financial instruments - available for sale	0	26
Charges on financial liabilities	5	6
Exchange losses	4	16
<b>Total</b>	<b>9</b>	<b>164</b>

## **12 - Tax**

### **12a - Income tax for the period**

At 31 December 2017, no IRAP taxes were allocated because of the negative tax base. This item mainly includes current tax income, amounting to EUR 926 thousand, which relates to the participation in the national tax consolidation scheme of the De Agostini S.p.A. Group (formerly B&D Holding di Marco Drago e C. S.a.p.A.).

## 12b - Deferred tax assets and liabilities

This item came in at EUR 1,824 thousand and consists entirely of provisions made for deferred tax assets during the year, which arose as a result of the elimination (due to available tax losses) of the tax liability recorded as a result of the valuation of the funds.

The table below shows a reconciliation of the tax charges recorded in the Annual Financial Statements and the theoretical tax charge calculated using the IRES rate applicable in Italy:

(EUR thousand)	2017		2016	
	Amount	Rate	Amount	Rate
<b>Profit before tax</b>	<b>(39,360)</b>		<b>3,420</b>	
Tax on theoretical income	(9,446)	24.00%	941	27.50%
Tax effect of permanent differences				
- <i>Write-downs on equity investments</i>	9,425	-23.95%	-	0.00%
- <i>Dividends</i>	(2,771)	7.04%	(2,671)	-78.10%
- <i>Other changes</i>	1,847	-4.69%	67	1.96%
Income from tax consolidation scheme	19	-0.05%	153	4.47%
Deferred tax assets	(1,823)	4.63%	(2,708)	-79.18%
Other taxes on foreign income	(11)	0.03%	64	1.87%
<b>Income tax reported in the income statement</b>	<b>(2,760)</b>		<b>(4,154)</b>	

## 13 - Profit/(loss) from assets held-for-sale/sold

At 31 December 2017, this item consisted of a capital gain of EUR 347 thousand arising from the sale of the 100% holdings held by Sigla Luxembourg S.A. in Sigla and SiCollection to Alchemy Special Opportunities Fund.

## 14 - Basic earnings (loss) per share

Basic earnings per share are calculated by dividing net profit or loss for the period attributable to the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing net profit for the period attributable to shareholders by the weighted average number of ordinary shares outstanding during the period, including any dilutive effects of stock options.

The table below shows the share information used to calculate basic and diluted earnings per share:

(in EUR)	<b>Financial year 2017</b>	<b>Financial year 2016</b>
Parent Company profit/(loss)(A)	(36,600,543)	7,573,907
Weighted average number of ordinary shares outstanding (B)	258,259,934	263,141,530
<b>Basic earnings/loss per share (EUR per share) (C=A/B)</b>	<b>(0.1417)</b>	<b>0.0288</b>
Adjustment for dilutive effect	0	0
Net profit/(loss) adjusted for diluted effect (D)	(36,600,543)	7,573,907
Weighted average number of shares to be issued for the exercise of stock options (E)	119,700	120,311
Total number of shares outstanding and to be issued (F)	258,379,634	263,261,840
<b>Diluted earnings/loss per share (EUR per share) (G=D/F)</b>	<b>(0.1417)</b>	<b>0.0288</b>

Options have a dilutive effect only when the average market price of the share for the period exceeds the strike price of the options or warrants (i.e. when they are "in the money").

### **Notes to the Cash Flow Statement**

Changes to the Cash Flow Statement have been reported using the direct method.

Given the type of activity carried out by the Company, cash flow from investment in companies and funds (the Company's normal activity) is included in cash flow from operating activities.

In 2017, operating activities, as defined above, generated cash and cash equivalents of EUR 58,428 thousand (EUR 13,882 thousand in 2016). Please see the Cash Flow Statement for information on changes to this item.

In 2017, financing activities absorbed EUR 36,791 thousand (EUR -33,642 thousand in 2016), mainly in relation to the payment of dividends totalling EUR 31,154 thousand.

Cash and cash equivalents totalled EUR 90,245 thousand at end-2017, compared with EUR 68,622 thousand at the end of the 2016.

### **Other information**

#### **Commitments**

At 31 December 2017, residual commitments to all funds in the portfolio totalled EUR 103.3 million, compared with EUR 107.7 million in 2016.

Changes in commitments are shown in the table below:

(EUR m)	
<b>Residual commitments to funds – 31.12.2016</b>	<b>107,7</b>
New commitments/change in commitments	7,6
Capital Calls	(11,7)
Exchange differences	(0,3)
<b>Residual commitments to funds – 31.12.2017</b>	<b>103,3</b>

With regard to said commitments, the management believes that the funds currently available, as well as funds that will be generated by its operating and financing activities, will enable DeA Capital to meet the financing required for its investment activity and to manage working capital.

## **Treasury shares and Parent Company shares**

On 20 April 2017, the Shareholders' Meeting of DeA Capital S.p.A. authorised the Board of Directors to buy and sell, on one or more occasions and on a revolving basis, a maximum number of ordinary shares in the Company representing a stake of up to 20% of the share capital.

The new plan replaces the previous plan approved by the Shareholders' Meeting on 21 April 2016 (which was scheduled to expire with the approval of the 2016 Annual Financial Statements), and will pursue the same objectives as the previous plan, including purchasing treasury shares to be used for extraordinary transactions and share incentive schemes, offering shareholders a means of monetising their investment, stabilising the share price and regulating trading within the limits of current legislation.

The authorisation specifies that purchases may be made up to the date of the Shareholders' Meeting to approve the Financial Statements for the Year Ending 31 December 2017, and, in any event, not beyond the maximum period of 18 months allowed by law, and that DeA Capital S.p.A. may also sell the shares purchased for trading purposes, without time limits. The unit price for the purchase of the shares will be set on a case-by-case basis by the Board of Directors, but must not be more than 20% above or below the share's reference price on the trading day prior to each purchase.

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

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

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

The Company has a contract with independent authorised intermediary Intermonte SIM S.p.A., granting it a mandate to buy and sell ordinary shares of the Company, pursuant to the Consob Practice.

For more information please see the minutes of the above-mentioned ordinary Shareholders' Meeting and explanatory Report by the Board of Directors, as well as the press release issued on 20 April 2017, which is available on the Issuer's website ([www.deacapital.com](http://www.deacapital.com)), in the section Investor Relations/shareholders' meetings.

In 2017, as a part of the above plans, DeA Capital S.p.A. purchased 6,018,045 shares valued at approximately EUR 8,042,689 (at an average price of EUR 1.34 per share).

Taking into account purchases made in previous years for plans in existence from time to time, at 31 December 2017 the Company owned 50,942,428 treasury shares (equal to about 16.61% of the share capital).

As of the date of this document, based on purchases of 1,698,195 shares made after the end of 2017, the Company had a total of 52,640,623 treasury shares corresponding to about 17.17% of the share capital.

During 2017, the Company did not hold, purchase or sell, on its own account or through a trust company, any shares in the Parent Company De Agostini S.p.A.

## **Stock option and performance share plans**

On 20 April 2017, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2017-2019, under which a maximum of 1,200,000 units may be granted. On the same date, in implementation of the shareholders' resolution, the Board of Directors of DeA Capital S.p.A. voted: *(i)* to launch the Performance Share Plan 2017-2019 approved by the Shareholders' Meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and *(ii)* to grant 975,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.

On 27 July 2017, under the same Performance Share Plan 2017-2019, a further 100,000 units were granted to employees with specific duties.

Shares granted due to the vesting of units will be drawn from treasury shares already held by the Company.

In addition, the plan enables DeA Capital to oblige beneficiaries to return, in full or in part, shares received pursuant to the plan, should circumstances emerge that clearly show that incorrect data have been used to verify the achievement of the targets for the vesting of the units (known as "claw-back").

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

On 8 November 2017, in view of the distribution of the extraordinary dividend of EUR 0.12 per share approved by the Shareholders' Meeting on 20 April 2017, the Board of Directors of DeA Capital, as the competent body pursuant to the plans' regulations, approved a number of amendments to the existing Performance Share Plans in order to keep the substance and financial content unchanged. Specifically, the Board voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, in the event that the vesting conditions are met, by granting new units, to be determined on the vesting date, valued at the price per share on the same date and commensurate with the portion of units that has vested, until the maximum number of units provided for in the above-mentioned plans is used up. The Board also resolved that where the lower value of the plans cannot be compensated for by the granting of new units, a one-off bonus will be paid as compensation in cash, commensurate with the portion of units that has vested.

The tables below summarise the assumptions made in calculating the fair value of the plans.

<b>Stock options</b>	<b>plan 2014</b>
No. of options allocated	1,550,000
Average market price at allocation date	1.44
Value at allocation/modification date	364,250
Average exercise price	1.02
Expected volatility	22.06%
Option expiry date	31/12/19
Risk-free rate	0.71%

Performance Share	plan 2015	plan 2015	plan 2016	plan 2017	plan 2017
Nº units allocated	515,000	150,000	1,000,000	1,200,000	100,000
Unit value	1.46	1.34	1.19	1.36	1.27
Value at allocation/modification date	302,477	66,750	1,185,000	1,636,800	126,900
Expected volatility	24.83%	25.54%	22.14%	n.a.	n.a.
Expiry date	30/06/19	30/06/19	30/06/20	30/06/21	30/06/21
Risk free yield	0.95%	0.82%	0.26%	n.a.	n.a.

### ***Transactions with parent companies, subsidiaries and related parties***

#### ***Intercompany relationships with the Parent Company and its Group***

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

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

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

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

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

This agreement, which is renewable every six years after an initial term of seven years, is priced at market rates.

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

The option for DeA Capital S.p.A. is irrevocable for the three-year period 2017-2019.

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

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

The amounts involved in the deposit/financing operations will, however, always be below the thresholds for transactions defined as "non-material" pursuant to Consob Regulation 17221/2010 (Transactions with Related Parties) and the internal procedure on Transactions with Related Parties adopted by DeA Capital S.p.A.

Lastly, the Company did not hold, purchase or dispose of the shares of any related parties in 2017.

The table below shows the balances arising from transactions with related parties.

(EUR thousand)	31.12.2017				Financial year 2017			
	Trade receivables	Tax receivables	Tax payables	Trade payables	Revenues for services	Tax income	Personnel costs net of recharged*	Service costs
Spc S.p.A.	14.6	-	-	-	24.0	-	(6.1)	-
DeA Capital Alternative Funds SGR S.p.A.	137.5	-	63.9	-	518.9	-	(403.4)	-
DeA Capital Real Estate SGR S.p.A.	260.5	-	-	-	1.013.0	-	(106.6)	-
DeA Capital Partecipazioni S.p.A.	-	-	-	-	40.0	-	(7.5)	-
Innovation Real Estate S.p.A.	10.0	-	-	-	3.8	-	(10.0)	-
I.R.E. Advisory S.r.l.	-	-	-	-	1.0	-	-	-
De Agostini S.p.A.	103.5	900.0	-	-	356.5	925.6	60.0	621.7
De Agostini Publishing Italia S.p.A.	-	-	-	-	-	-	-	2.9
Lottomatica S.p.A.	1.3	-	-	-	26.4	-	-	-
De Agostini Editore S.p.A.	-	-	-	53.3	-	-	-	174.0
<b>Total related parties</b>	<b>527.4</b>	<b>900.0</b>	<b>63.9</b>	<b>53.3</b>	<b>1,983.6</b>	<b>925.6</b>	<b>(473.6)</b>	<b>798.6</b>
<b>Total financial statement line item</b>	<b>757.6</b>	<b>900.0</b>	<b>251.6</b>	<b>1,023.8</b>	<b>3,172.0</b>	<b>925.6</b>	<b>3,660.8</b>	<b>4,648.9</b>
<b>as % of financial statement line item</b>	<b>69.6%</b>	<b>100.0%</b>	<b>25.4%</b>	<b>5.2%</b>	<b>62.5%</b>	<b>100.0%</b>	<b>(12.9%)</b>	<b>17.2%</b>

\* Values Net of revenues concerning the recharge of cost of personnel to the Group Companies.

## **Remuneration of directors, auditors, general managers and managers with strategic responsibilities**

In 2017, remuneration payable to the directors and auditors of DeA Capital S.p.A. for the performance of their duties totalled EUR 330 thousand and EUR 105 thousand respectively.

Remuneration paid to directors and auditors is shown in the table below:

Director	Position	Period position held	Position expires	Fees for position at company preparing the financial statements in EUR thousand	Bonuses and other benefits incentives	Non-cash	Statutory auditors' fees for positions held at subsidiaries	Other remuneration EUR/000
Lorenzo Pellicoli	Chairman	2017	Approval fin. statements 2018	30	0	0	0	0
Paolo Ceretti	Chief Executive Officer	2017	Approval fin. statements 2018	30	0	0	0	146
Gian Andrea Perco	Senior managers with strategic responsibilities	until 30 june 2017	-	0	0	0	0	46
Pierluigi Rossi	Senior managers with strategic responsibilities	from 21 november 2017	-	0	0	0	0	1
Lino Benassi	Director	2017	Approval fin. statements 2018	30	0	0	0	0
Carlo Ferrari Ardicini	Director	2017	Approval fin. statements 2018	30	0	0	0	0
Donatella Busso	Director	2017	Approval fin. statements 2018	30	0	0	0	15
Francesca Gelfetto	Director	2017	Approval fin. statements 2018	30	0	0	0	5
Marco Drago	Director	2017	Approval fin. statements 2018	30	0	0	0	0
Severino Salvemini	Director	2017	Approval fin. statements 2018	30	0	0	0	33
Daniela Toscani	Director	2017	Approval fin. statements 2018	30	0	0	0	15
Elena Vasco	Director	2017	Approval fin. statements 2018	30	0	0	0	10
Marco Boroli	Director	2017	Approval fin. statements 2018	30	0	0	0	0
Cesare Grifoni	Chairman of the Board of Statutory Auditors	2017	Approval fin. statements 2018	45	0	0	7	10
Fabio Facchini	Permanent Auditor	2017	Approval fin. statements 2018	30	0	0	0	0
Annalisa Donesana	Permanent Auditor	2017	Approval fin. statements 2018	30	0	0	17	3

In contrast to the data contained in the Remuneration Report prepared pursuant to art. 123-ter of the TUF in accordance with art. 84-quater of the Issuer Regulation, the emoluments and compensation indicated above do not include social security contributions where applicable.

“Other remuneration” relates to remuneration received for other positions held in either DeA Capital S.p.A. or other Group companies.

In 2017, annual salaries and bonuses, excluding benefits in kind, paid to managers with strategic responsibilities in the Parent Company totalled about EUR 502 thousand.

### ***Shareholdings held by directors, auditors, general managers and managers with strategic responsibilities***

Details of shareholdings held in DeA Capital S.p.A. and its subsidiaries by members of the boards of directors and auditors and by managers with strategic responsibilities are provided in the table below.

No shareholdings were reported for general managers since, to date, this position does not exist.

All those who held positions on the boards of directors or auditors, or as managers with strategic responsibilities, for the whole or part of the year in question, are included.

Name and surname	Investee company	No. of shares held at 1.1.2017	No. of shares purchased	No. of shares sold	Other movements	No. of shares held at 31.12.2017
Lorenzo Pellicioli	DeA Capital S.p.A.	2,566,323	0	0	0	2,566,323
Paolo Ceretti	DeA Capital S.p.A.	1,200,000	150,000	0	0	1,350,000
Senior managers with strategic responsibilities	DeA Capital S.p.A.	520,000	270,000	0	(20,000)	770,000
<b>Total</b>		<b>4,286,323</b>	<b>420,000</b>	<b>0</b>	<b>(20,000)</b>	<b>4,686,323</b>

No DeA Capital shares are held by other directors or auditors who are currently in office; furthermore, no shares are held in companies controlled by DeA Capital.

The directors Lorenzo Pellicioli, Marco Drago and Marco Boroli own shares of B&D Holding di Marco Drago e C. S.a.p.A. and Marco Drago e Marco Boroli own shares of De Agostini S.p.A., companies which indirectly or directly control the Company, and are parties to a shareholder agreement covering these shares.

Lastly, “other changes” in the preceding table take account of the termination of the employment relationship with managers with strategic responsibilities.

### ***Stock options granted to members of the boards of directors and auditors, general managers and managers with strategic responsibilities***

Details of stock options held by members of the boards of directors and auditors and by managers with strategic responsibilities in DeA Capital S.p.A. and its subsidiaries are provided (in aggregate format) in the table below.

Beneficiary	Position	Options outstanding at 1 January 2017			Options granted during 2017			Options exercised during 2017	Options lapsed/ cancelled during 2017	Options outstanding at 31 December 2017		
		Number of options	Average exercise price	Average expiry date	Number of options	Average exercise price	Average expiry date			Number of options	Average exercise price	Average expiry date
		950,000	1.02	5	0	0	0	81,728	551,043	317,229	1.02	5
Paolo Ceretti	CEO	950,000	1.02	5	0	0	0	81,728	551,043	317,229	1.02	5
Key Management		450,000	1.02	5	0	0	0	188,980	261,020	0	1.02	5

Lastly, note that the Chief Executive Officer, Paolo Ceretti, and managers with strategic responsibilities were granted 350,000 and 575,000 performance shares respectively in 2017, as shown in the table below.

Performance shares	Units outstanding at 1 January 2017				Units granted during 2017			Units exercised during 2017	Units lapsed/ cancelled during 2017	Units detenute al 31 december 2017		
	Beneficiary	Position	Number of Units	Units Price	Average expiry date	Number of Units	Units Price	Average expiry date		Number of Units	Units Price	Average expiry date
Paolo Ceretti	CEO	120,000	1.44	3	0	0	0	68,272	51,728	0	0	0
Paolo Ceretti	CEO	250,000	1.46	4	0	0	0	0	0	250,000	1.46	4
Paolo Ceretti	CEO	350,000	1.19	4	0	0	0	0	0	350,000	1.00	4
Paolo Ceretti	CEO	0	0	0	350,000	1.36	4	0	0	350,000	1.36	4
Key Management		60,000	1.44	3	0	0	0	34,135	25,865	0	0	0
Key Management		125,000	1.46	4	0	0	0	0	0	125,000	1.46	4
Key Management		150,000	1.34	4	0	0	0	0	0	150,000	1.34	4
Key Management		450,000	1.19	4	0	0	0	0	0	450,000	1.19	4
Key Management		0	0	0	475,000	1.36	4	0	0	475,000	1.36	4
Key Management		0	0	0	100,000	1.27	4	0	0	100,000	1.27	4

### **Management and coordination**

The Parent Company is subject to the management and coordination of De Agostini S.p.A.

Key figures from the latest approved financial statements of De Agostini S.p.A. are shown below.

(in EUR)

INCOME STATEMENT	2016	2015
Revenues	3,624,167	3,797,072
Cost of production	(43,216,398)	(29,897,811)
Financial income and charges	71,419,843	69,471,284
Adjustments to value of financial assets	(30,899,082)	(20,247,005)
Taxes for the year	15,394,435	10,458,918
Net profit	16,322,965	33,582,458

STATEMENT OF FINANCIAL POSITION	2016	2015
Non-current assets	3,267,536,597	3,294,662,337
Current assets	332,754,164	346,220,782
Accruals and deferrals	7,950,890	8,450,803
Shareholders' equity	(2,759,516,226)	(2,758,825,318)
Provisions for risks and charges	(28,972,092)	(17,124,696)
End-of-service payment provision	(673,977)	(666,805)
Payables	(816,336,289)	(870,895,225)
Accruals and deferrals	(2,743,067)	(1,821,878)

## Risks

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

The risks set out below stem from a consideration of the characteristics of the market and the Company's operations, and the main findings of a risk assessment, and from periodic monitoring, including that carried out through the regulatory policies adopted by the Group. There could, however, be risks that are currently unidentified or not considered significant that could have an impact on the Company's operations.

The Company has adopted a modern corporate governance system that provides effective management of the complexities of its operations and enables its strategic objectives to be achieved. Furthermore, the assessments conducted by the organisational units and the directors confirm both the non-critical nature of these risks and uncertainties, and the financial solidity of the Company.

### A. Contextual risks

#### **A.1 Risks relating to general economic conditions**

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

#### **A.2 Socio-political events**

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

#### **A.3 Regulatory changes**

Many of the Company's investee companies conduct their operations in highly regulated sectors and markets. Any changes to or developments in the legislative or regulatory framework that affect the costs and revenues structure of investee companies or the tax regime applied, could have negative effects on the Company's financial results, and necessitate changes in its strategy.

To combat this risk, the Company has established procedures to constantly monitor sector regulation and any changes thereto, so that it can seize business opportunities and respond to any changes in the prevailing legislation and regulations in good time.

#### **A.4 Performance of the financial markets**

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

#### **A.5 Exchange rates**

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

## **A.6 Interest rates**

Ongoing financing operations that are subject to variable interest rates could expose the Company to an increase in related financial charges, if the reference interest rates were to rise significantly.

Here too, the Company has adopted procedures to constantly monitor the risk concerned.

## **B. Strategic risks**

### ***B.1 Concentration of the Private Equity investment portfolio***

The Private Equity investment strategy adopted by the Company includes:

- Direct investments;
- Indirect investments (in funds).

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

To combat these risk scenarios, the Company pursues an asset allocation strategy intended to create a balanced portfolio with a moderate risk profile, investing in attractive sectors and in companies with an appealing current and future risk/return ratio.

Furthermore, the combination of direct and indirect investments, which, by their nature, provide a high level of diversification, helps reduce the level of asset concentration.

### ***B.2 Concentration of Alternative Asset Management assets***

In the Alternative Asset Management business, events could arise as a result of excessive concentration that would hinder the achievement of the level of expected returns. These events could be due to:

- Private equity funds

- concentration of the assets managed by asset management companies across a limited number of funds, if it were decided to terminate the asset management mandate for one or more funds;
- concentration of the financial resources of the funds managed across a limited number of sectors and/or geographical areas, in the event of a currency, systemic or sector crisis;
- for closed-end funds, the concentration of the commitment across just a few subscribers.

- Real estate funds

- concentration in the managed funds portfolio of real estate in a few cities and/or in limited types of property (management/commercial), in the event of a crisis in the property market concerned;
- concentration vis-a-vis certain major tenants, if they were to withdraw from the rental contracts, which could lead to a vacancy rate that would have a negative impact on the funds' financial results and the valuation of the properties managed;
- concentration in the maturities of numerous real estate funds within a narrow timeframe, with related high availability of property on the market, leading to a decrease in property values and an increase in selling times.

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

## **B.3 Key resources (governance/organisation)**

The Company's success depends to a large extent on its executive directors and key management figures, their ability to efficiently manage the business and the normal activities of individual Group companies, as well as knowledge of the market and the professional relationships established.

The departure of one or more of these key resources, without a suitable replacement being found, as well as an inability to attract and retain new and qualified resources, could affect growth targets and have a negative impact on the Group's operating performance and financial results.

To mitigate this risk, the Group has put in place HR management policies that correspond closely to the needs of the business, and incentive-based policies that are periodically reviewed, in light of, among other things, the general economic climate and the results achieved by the Group.

## **C. Operating risks**

### **C.1 Investment operations**

Investment operations conducted by the Company are subject to the risks typical of private equity activities, such as an accurate valuation of the target company and the nature of the transactions carried out, which require the acquisition of strategic shareholdings, but not controlling interests, governed by appropriate shareholders' agreements.

The Company has implemented a structured process of due diligence to be carried out on target companies; this involves the various levels of group management concerned and entails the careful definition of shareholders' agreements to ensure that agreements are concluded that are in line with the investment strategy and the risk profile defined by the Company.

### **C.2 Compliance with covenants**

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

### **C.3 Divestment operations**

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

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

### **C.4 Funding Risk**

The income flows expected from the Alternative Asset Management business depend on the capacity of the asset management companies in which the Company invests to stabilise/grow their assets under management.

In this environment, fundraising activities could be harmed both by external and internal factors, such as bad timing in respect of fundraising activities by the asset management companies, or the departure of key managers from the companies.

The Company has established appropriate risk management strategies in relation to fund raising, with a view to both involving new investors and retaining current investors.

## Significant events after the reporting date for the 2017 Financial Statements

### **Launch of Special Opportunities I fund**

In January 2018, DeA Capital Real Estate SGR completed the closing of the Special Opportunities I fund, which has assets of EUR 200 million to be used for the purchase of non-performing secured loans via securitisation vehicles.

DeA Capital has subscribed to a total commitment of EUR 20 million. The remaining part of the commitment, amounting to EUR 180 million, was underwritten by Apollo Global Management PLC, one of the world's leaders in alternative investment.

### **Funds – paid calls/distributions**

During 2018, the Company increased its investment in the following funds by a total of EUR 3,001 thousand: IDeA ToI (EUR 2,443 thousand), IDeA ICF III (EUR 445 thousand) and IDeA CCR II (EUR 113 thousand).

At the same time, the Company received capital reimbursements totalling EUR 183 thousand from IDeA CCR II (EUR 1 thousand) and Venere (EUR 182 thousand), to be used in full to reduce the carrying value of the units.

Thus, overall, the private equity funds in which DeA Capital S.p.A. has invested generated a net negative cash balance totalling EUR 2,818 thousand for its portion.

## Further information

### **Publication of the 2017 Financial Statements**

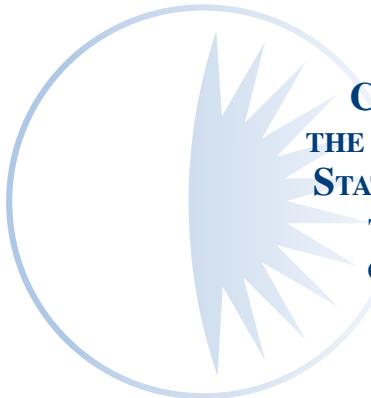
In accordance with the provisions of IAS 10, the Parent Company authorised the publication of these Financial Statements within the terms set by the laws in force.

### **Atypical or unusual transactions**

In 2017, there were no atypical or unusual transactions as defined by Consob Communication 6064293 of 28 July 2006.

### **Significant non-recurring events and transactions**

In 2017, the Group did not undertake any significant non-recurring transactions as defined by the above-mentioned Consob Communication.



**CERTIFICATION OF  
THE ANNUAL FINANCIAL  
STATEMENTS PURSUANT  
TO ART. 154-BIS  
OF LEGISLATIVE  
DECREE 58/98**

# Statement of responsibilities for the Annual Financial Statements pursuant to article 154-bis of Legislative Decree 58/98

The undersigned, Paolo Ceretti, as Chief Executive Officer, and Manolo Santilli, as the manager responsible for preparing the accounting statements, hereby certify, pursuant to art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998 that, based on the characteristics of the Company, the administrative and accounting procedures for preparing the Annual Financial Statements during the year were suitable and effectively applied.

The assessment as to the suitability of the administrative and accounting procedures for preparing the Annual Financial Statements for the Year Ending 31 December 2017 was based on a process established by DeA Capital S.p.A. in keeping with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is the generally accepted reference framework at international level.

Note that in this regard, as described in the Notes to the Financial Statements, a significant portion of the assets are investments stated at fair value. Fair values were determined by directors based on their best estimate and judgement using the knowledge and evidence available at the time the Financial Statements were prepared. However, due to objective difficulties in making assessments and the absence of a liquid market, the values assigned to such assets could differ, and in some cases significantly, from those that could be obtained when the assets are sold.

The undersigned further certify that the Annual Financial Statements for the Year Ending 31 December 2017:

- correspond to the Company's accounting records;
- have been prepared in compliance with the International Financial Reporting Standards adopted by the European Union, and the measures issued to implement art. 9 of Legislative Decree 38/2005;
- to the best of their knowledge, provide a true and fair view of the operating performance and financial position of the issuer.

The Report on Operations contains a reliable analysis of operating performance and results and of the situation of the issuer and all companies included in the basis of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

13 March 2018

**Paolo Ceretti**  
**Chief Executive Officer**

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

## Information pursuant to art. 149-*duodecies* of the Consob Issuer Regulations

The table below was prepared in accordance with art. 149-*duodecies* of the Consob Issuer Regulation and reports the fees for 2017 for auditing and other services provided by the independent auditors and entities belonging to the independent auditors' network. The fees reported below do not include VAT and out-of-pocket expenses.

(EUR thousand)	Company providing the service	Beneficiary	Compensation FY 2017
<b>Audit</b>	PricewaterhouseCoopers S.p.A.	DeA Capital S.p.A.	56
<b>Total</b>			<b>56</b>





**SUMMARY OF SUBSIDIARIES'  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 DECEMBER 2017**

(EUR thousand)	DeA Capital Partecipazioni	DeA Capital Alternative Funds SGR	DeA Capital Real Estate SGR	SPC
Non-current assets	59,017	1,626	150,562	21
Current assets	2,495	19,465	48,417	1,534
Available-for-sale financial assets - non-current portion	-	-	-	-
<b>Consolidated assets</b>	<b>61,511</b>	<b>21,091</b>	<b>198,978</b>	<b>1,555</b>
Shareholders' equity	61,357	8,035	168,275	489
Non-current liabilities	-	1,366	10,205	240
Current liabilities	155	11,690	20,499	826
<b>Consolidated liabilities</b>	<b>61,511</b>	<b>21,091</b>	<b>198,978</b>	<b>1,555</b>
Alternative asset management fees	-	18,438	41,382	-
Service revenues	-	-	-	1,029
Other investment income/charges	469	(29)	1,339	-
Other income	50	2	211	51
Personnel costs	21	(8,513)	(16,901)	(819)
External service costs	(235)	(4,924)	(7,914)	(591)
Depreciation and amortisation	-	(143)	(38,829)	(14)
Other charges	(8)	(118)	(9,710)	(6)
Financial income	0	66	25	0
Financial charges	(0)	(14)	(27)	(37)
Taxes	228	(1,632)	(1,574)	5
Profit/(loss) for the period from held- for-sale operations	-	-	-	-
<b>Net profit/(loss)</b>	<b>526</b>	<b>3,133</b>	<b>(31,999)</b>	<b>(382)</b>



**INDEPENDENT AUDITORS'  
REPORT  
(ORIGINAL AVAILABLE IN  
ITALIAN VERSION)**

### **Independent auditor's report**

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the shareholders of DeA Capital SpA

---

### **Report on the Audit of the Consolidated Financial Statements**

---

#### **Opinion**

We have audited the consolidated financial statements of DeA Capital Group (the Group), which comprise the statement of financial position as of 31 December 2017, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of DeA Capital SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

---

#### **PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0512132311 - **Bari** 70125 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wührer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 63127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 01156771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Feliscent 90 Tel. 0422696911 - **Trieste** 34123 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albusi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 044439331

### Key audit matters

### Auditing procedures performed in response to key audit matters

#### Evaluation of intangible assets

*Notes to the consolidated financial statements – Part B “Measurement criteria adopted” – paragraph on “Intangible assets”, Notes 1a “Goodwill” and 1b “Intangible assets” of item “Non-current assets” of the Statement of Financial Position.*

Goodwill, amounting to Euro 93.8 million (14.8% of total consolidated assets), and “intangible assets from final variable commission”, equal to Euro 20.6 million (3.3% of total consolidated assets), were tested for impairment in accordance with the provisions of IAS 36.

Estimating the recoverable amount of the assets which were subject to the impairment test required significant professional judgement by management in respect of:

- the definition of the key assumptions underlying the estimate of the expected cash flows of the identified cash generating units (“CGUs”) and of the other intangible assets recognised in the financial statements and
- the determination of the discount rate applied to discount the expected cash flows at the reporting date.

Considering the valuation methods used by the Group which are imply a high degree of subjectivity and use of estimates, and in light of the significance of goodwill and of intangible assets from final variable commission recognised in the financial statements, we deemed this process as a key audit matter.

In performing our audit procedures on these items we were also supported by PwC network experts in business valuation, given that the complexity of the valuation process requires in-depth knowledge of the reference markets and specific expertise.

After obtaining an understanding of the valuations and criteria used by management to identify the CGUs, we verified their consistency with management reporting and with the organisational and operating structure of the Group.

We checked, on a sample basis, the accuracy and reasonableness of the forecast data used to determine the expected cash flows of the CGUs identified and of the intangible assets from variable commission.

We evaluated the reasonableness of the assumptions underlying the recoverable amount of the intangible assets tested for impairment, also through sensitivity analysis performed in an independent manner on the main parameters used in the estimate process.

### Key audit matters

### Auditing procedures performed in response to key audit matters

#### Evaluation of unlisted financial instruments and related impairment process

*Notes to the consolidated financial statements: Part B - Measurement criteria adopted – paragraph on “Financial assets”, Part D – Use of estimates and assumptions in preparing the financial statements, Notes 2b “Investments held by funds”, 2c “Available-for-sale investments in other companies” of the Statement of Financial Position.*

The Group holds, directly or indirectly through funds, investments in listed and unlisted companies. At 31 December 2017, total “Available-for-sale investments in other companies” amounted to Euro 79.0 million, of which Euro 45.6 million in unlisted financial instruments, while total “Investments held by funds” were equal to Euro 48.6 million, of which Euro 34.5 million related to unlisted financial instruments. The total amount of unlisted financial instruments therefore equated to Euro 80.1 million (12.7% of total consolidated assets).

Investments in unlisted companies were subject to an evaluation process founded also on valuation methods and techniques based on observable inputs other than prices quoted on active markets and on unobservable input data, which were the object of a structured estimate process.

The fair value measurement of investments in unlisted companies is therefore characterised by a high degree of subjectivity in relation to:

- the selected measurement technique which is considered more appropriate in relation to the characteristics of each individual investment and to the aim/manner through which it is held;

We gained an understanding and assessed the determination process of the value of the Group's financial investments and related implemented controls.

We discussed with management the appropriateness of methodology in the evaluations performed based on the characteristics of each investment, also assisted by PwC network experts in business valuation.

In particular, on a sample basis, we:

- obtained the calculation models used by management to evaluate individual assets and verified their mathematical accuracy;
- verified the reasonableness of balance-sheet and P&L data, as well as of expected cash flows used as input data;
- verified the reasonableness of the other assumptions and hypotheses behind the valuation models, also through specific sensitivity analyses on the main parameters and observable and unobservable input data;
- considered the choice made by management in respect of the point fair value to use for financial statement purposes.

Finally, we verified the existence and correct recognition of impairment losses, if any, determined on the basis of the accounting policies set by the parent company DeA Capital SpA.

### **Key audit matters**

### **Auditing procedures performed in response to key audit matters**

- the determination of the assumptions and parameters to be used within the application framework of the selected valuation techniques;
- the determination of the precise fair value of the financial instrument within the valuation intervals identified through the various techniques.

Considering the significance of these discretionary elements and the importance of the investments in unlisted companies recognised in the financial statements, we deemed this process as a key audit matter.

### **Recognition of commission income**

*Notes to the consolidated financial statements:  
Part B - Measurement criteria adopted – paragraph on “Revenues and Income”, Note 8 “Alternative asset management fees” of the Income Statement.*

Revenues from commissions include management fees, fees from the set-up of funds, as well as subscription and performance fees.

Management fees and set-up and/or subscription fees, if any, are calculated based on percentages applied to the Assets Under Management (hereinafter also “AUM”) or on Commitments, with reference to certain private equity funds, according to the methods provided in the funds’ relevant regulations. Performance fees are accounted for based on the achievement of contractually established performance thresholds.

The recognition of commission income, amounting to Euro 57.9 million (79.5% of total consolidated revenues), was considered as a key audit matter as they feature as a significant part of the income statement of the Group at 31 December 2017.

We obtained an understanding and assessed the system of internal control over the generation and accounting recognition of commission income, and we validated the related key controls identified.

With reference to the management fees of DeA Capital Alternative SGR SpA, we analysed the regulations of the managed funds to verify the consistency of the calculation methods, the correctness of the commission percentages applied and the related mathematical accuracy. We also relied upon the audit procedures performed by us as part of the audit of the financial statements of the funds managed by the subsidiary to verify the existence and correct evaluation of the funds’ net assets and related income results.

With reference to the fees deriving from management performed by the subsidiary DeA Capital Real Estate SGR SpA, whose auditor does not belong to the PwC network, considering the significant contribution of these fees to the total of “Alternative asset management fees”, we also carried out independent auditing procedures. Specifically, we shared and monitored the

---

***Key audit matters***

---

***Auditing procedures performed in response to key audit matters***

---

auditing procedures performed by the auditor on the subsidiary's financial statements and on the financial statements of the funds managed by the subsidiary, reviewing the related working papers. Moreover, we performed autonomous testing procedures such as comparative analyses and analysis, on a sample basis, of the managed funds' regulations in order to verify the consistency of the calculation methods, the correctness of the commission percentages applied and the related mathematical accuracy.

---

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate DeA Capital SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit 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 Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

### ***Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014***

On 17 April 2015, the shareholders of DeA Capital SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

---

### ***Report on Compliance with other Laws and Regulations***

---

#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98***

Management of DeA Capital SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the DeA Capital Group as of 31 December 2017, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the DeA Capital Group as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of DeA Capital SpA as of 31 December 2017 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 28 March 2018

PricewaterhouseCoopers SpA

*Signed by*

Giovanni Ferraioli  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*





## Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of DeA Capital SpA

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the financial statements of DeA Capital SpA (the Company), which comprise the statement of financial position as of 31 December 2017, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### ***PricewaterhouseCoopers SpA***

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0512132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wührer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Picciapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanaro 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Trollo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011566771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felisenti 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

<b>Key audit matters</b>	<b>Auditing procedures performed in response to key audit matters</b>
<p><b>Evaluation of unlisted financial instruments and related impairment process</b></p> <p><i>Notes to the separate financial statements: Part B - Measurement criteria adopted – paragraph on "Financial assets", Part D – Use of estimates and assumptions in preparing the financial statements, Notes 2a "Investments in subsidiaries", 2b "Investments in associated companies and funds", 2c "Investments in other companies" and 2d "Available-for-sale funds" of the Statement of Financial Position</i></p> <p>DeA Capital SpA holds investments in listed and unlisted companies. At 31 December 2017, total "Investments" recorded in the financial statements, including the value of "Investments in subsidiaries" and of "Investments in associated companies and funds", was equal to Euro 399.7 million, of which Euro 195.5 million relating to investments in unlisted companies (equal to 39.6% of the Company's total assets).</p> <p>Investments in unlisted companies were subject to an evaluation process founded also on valuation methods and techniques based on observable inputs other than prices quoted on active markets and on unobservable input data, which were the object of a structured estimate process.</p> <p>The fair value measurement of investments in unlisted companies is therefore characterised by a high degree of subjectivity in relation to:</p> <ul style="list-style-type: none"> <li>the selected measurement technique which is considered more appropriate in relation to the characteristics of each individual investment;</li> <li>the determination of the assumptions and parameters to be used within the application framework of the selected valuation techniques;</li> <li>the determination of the precise fair value of the financial instrument within the valuation intervals identified through the various techniques.</li> </ul>	<p>We gained an understanding and assessed the determination process of the value of the Company's financial investments and related implemented controls.</p> <p>We discussed with management the appropriateness of methodology in the evaluations performed based on the characteristics of each investment, also assisted by PwC network experts in business valuation.</p> <p>In particular, on a sample basis, we:</p> <ul style="list-style-type: none"> <li>obtained the calculation models used by management to evaluate individual assets and verified their mathematical accuracy;</li> <li>verified the reasonableness of balance-sheet and P&amp;L data, as well as of expected cash flows used as input data;</li> <li>verified the reasonableness of the other assumptions and hypotheses behind the valuation models, also through specific sensitivity analyses on the main parameters and observable and unobservable input data;</li> <li>considered the choice made by management in respect of the point fair value to use for financial statement purposes.</li> </ul> <p>Finally, we verified the existence and correct recognition of impairment losses, if any, determined on the basis of the accounting policies set by the Company.</p>

Considering the significance of these discretionary elements and the importance of the investments in unlisted companies recognised in the financial statements, we deemed this process as a key audit matter.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit 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 Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014***

On 17 April 2015, the shareholders of DeA Capital SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

---

*Report on Compliance with other Laws and Regulations*

---

***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98***

Management of DeA Capital SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of DeA Capital SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of DeA Capital SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of DeA Capital SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 28 March 2018

PricewaterhouseCoopers SpA

*Signed by*

Giovanni Ferraioli  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*





**REPORT OF THE BOARD OF  
STATUTORY AUDITORS  
(ORIGINAL AVAILABLE IN  
ITALIAN VERSION)**

Graphic Design and Editing by:

**MERCURIO GP<sup>©</sup>** - Milan

[www.mercuriogp.eu](http://www.mercuriogp.eu)



