Independent Auditors' Report

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 2018, 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 2018 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

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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 "Intangible and tangible assets" of the Statement of Financial Position. Goodwill, amounting to Euro 93.7 million (16.8% of total consolidated assets), and "intangible assets from final variable commission", equal to Euro 19.1 million (3.4% 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*") to which the goodwill and the other intangible assets recognised in the financial statements belong 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 characterised by a high degree of professional judgement 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. Finally, we verified the correct determination of the assets and liabilities of the financial statements attributable to the individual CGUs, including the allocated goodwill, and of the intangible assets from final variable commissions, used for comparisons with the respective values in use.

Key audit matters	Auditing procedures performed in response to key audit matters

Evaluation of unlisted financial instruments

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 "Equity investments in other companies measured at fair value through P&L" of the Statement of Financial Position.

The Group holds, directly or indirectly through funds, investments in listed and unlisted companies. At 31 December 2018, total "Investments in other companies measured at fair value through P&L" amounted to Euro 51.0 million, of which Euro 24.1 million in unlisted financial instruments, while total "Investments held by funds" were equal to Euro 23.5 million, entirely related to unlisted financial instruments. The total amount of unlisted financial instruments therefore equated to Euro 47.6 million (8.5% 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;
- the determination of the assumptions and parameters to be used within the application framework of the selected valuation techniques;

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 that the balance-sheet, P&L and expected cash-flows data used as input data have not been determined using unreasonable hypotheses and assumptions;
- 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.

Finally, we verified the existence and correct recognition of unrealised gains and losses deriving from the valuation of the unlisted financial instruments at 31 December 2018.

Key audit matters	*Auditing procedures performed in response to key audit matters*
• 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 and other investment income/expense	
Notes to the consolidated financial statements: Part B - Measurement criteria adopted – paragraph on "Revenues and Income", Note 8 "Alternative asset management fees" and Note 10 "Other investment income and expenses" of the Income Statement. Revenues from commissions include management fees, fund set-up fees, subscription fees 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 prospectus. Performance fees are accounted for based on the achievement of contractually established performance thresholds. The recognition of commission income, amounting to Euro 62.4 million (60.6% of total consolidated revenues), was considered as a key audit matter in light of the their significant contribution to the group income statement at 31 December 2018.	We obtained an understanding and assessed the internal control system over the generation and accounting recognition of commission income and investment income/expense, and we validated the related key controls identified. With reference to the management fees of DeA Capital Alternative SGR SpA, we analysed the funds' prospectus 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 the asset management services provided 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 the item"Alternative asset management fees", we also carried out independent auditing procedures.

Key audit matters	Auditing procedures performed in response to key audit matters
Investment income and/or expenses include realized gains and losses on equity investments and funds sold during the year, as well as unrealised gains and/or losses arising from the fair value adjustment of investments held by the Group at 31 December 2018. The recognition of realised gains/losses on investments, amounting to €37.8 million (36.7% of total consolidated revenue), was considered as a key audit matter in light of the complexity that sometimes characterises the clauses in the divestment contracts and that directly impact the method used to define the exit price to be considered in determining and accounting the realised gains/losses.	Specifically, we shared and monitored the auditing procedures performed by the component auditor on the subsidiary's financial statements and on the financial statements of the funds managed by the subsidiary itself, reviewing the related working papers. Finally, we performed autonomous testing procedures such as substantive analytical procedures and analysis, on a sample basis, of the funds' prospectus in order to verify the consistency of the calculation methods, the correctness of the commission percentages applied and the related mathematical accuracy. With reference to realized gains and losses, we have critically analysed the disinvestment contracts in order to verify the correct determination of the exit prices, including the possible existence of price adjustments mechanism, in light of the contractual clauses and the consequent accounting treatment of the realized gains/losses.

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 2018, 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 2018 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 2018 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, 26 March 2019

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.