# 5. Results of the DeA Capital Group

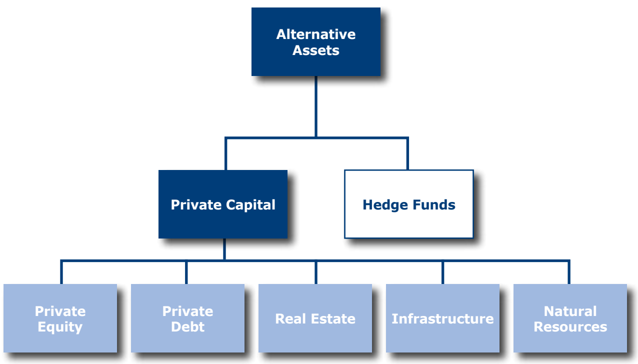
The consolidated results for the period relate to the operations of the DeA Capital Group in the following businesses:

- 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, which includes the reporting units involved in Private Equity Investment, broken down into shareholdings (direct investments) and investments in funds (indirect investments).

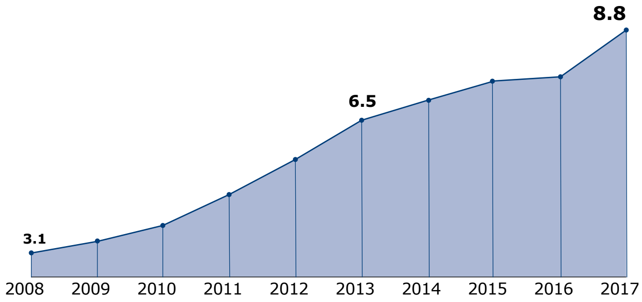
## Evolution in the reference market of Alternative Asset Management

Over the past ten years, the need for global investors to obtain diversified returns, potentially greater (compared to their use in liquidity) and more sustainable over the long term has been the basis for the growth of the asset management industry. Within it, Alternative Asset Management has taken on an increasingly central role, offering investors new opportunities for diversification and return through its main **asset classes: private equity, real estate, private debt, natural resources, infrastructure and hedge funds.**




Globally, in 2017, Alternative Assets Under Management (AAUM) amounted to USD 8.8 trillion, with a four-year growth of around 35%. Expanding the time horizon, the increase in AAUM is around 184% compared to 2008, with a compound annual growth rate of around 21%.

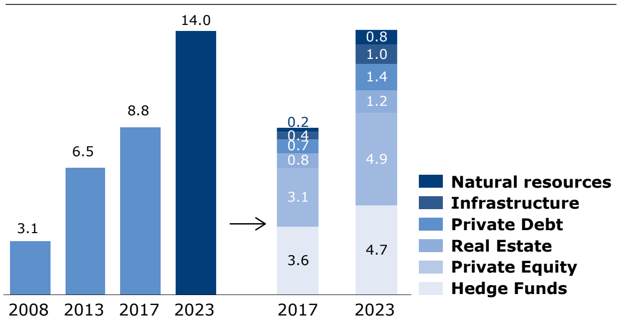
***Alternative assets under management* worldwide** (trillion US$)




Source: Preqin

The trend is confirmed by the estimates for the next five years that foresee, for alternatives, to reach USD 14.0 trillion of Assets under Management in 2023. The main area of development is Private Capital, which includes all alternative asset classes with the exception of hedge funds. In 2017, Private Capital amounted to USD 5.2 trillion (compared to USD 8.8 trillion of the total), with an estimate for 2023 of around USD 9.3 trillion. In terms of growth percentages, it is estimated that Private Capital at 2023 will record an increase in AAUM of 79%, of which respectively was +58% for private equity (from USD 3.1 to USD 4.9 trillion) and +50% for real estate (from USD 0.8 trillion to USD 1.2 trillion). Again with respect to 2017, these estimates also forecast a record increase for the remaining asset classes such as natural resources (from USD 0.2 trillion to USD 0.8 trillion), infrastructure (from USD 0.4 trillion to USD 1.0 trillion) and private debt (from USD 0.7 trillion to USD 1.4 trillion).

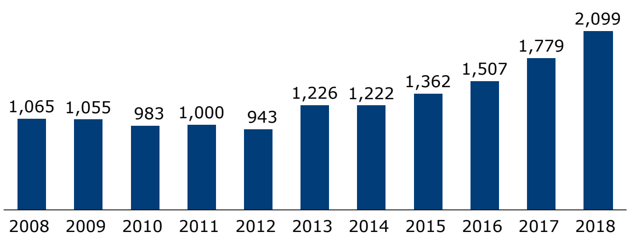
**Global growth estimate of Alternative AUMs at 2023** (trillion US$)




Source: Preqin

In parallel is the growth of dry powder (capital to be used for fund managers), which for Private Capital in 2018 is equal to the record figure of USD 2.1 trillion, of which 58% (USD 1.2 trillion) related to private equity. The accumulation of liquidity may seem excessive with respect to investment opportunities, even if the available capital curve on the total of recalled capitals is decreasing, a sign that although dry powder is increasing, the investment rate of these capitals seems to grow more rapidly.

**Global Dry powder for private capital asset** (billion US$)




SOURCE: Preqin

**In this context characterised by strong dynamism and growth, DeA Capital S.p.A. ranks as the leading operator in the Italian market in Alternative Asset Management through the management of private equity and real estate funds, through its subsidiaries DeA Capital Alternative Funds SGR and DeA Capital Real Estate SGR, and by making indirect investments in the funds of the asset management companies.**

## The Private Equity market worldwide and in Italy

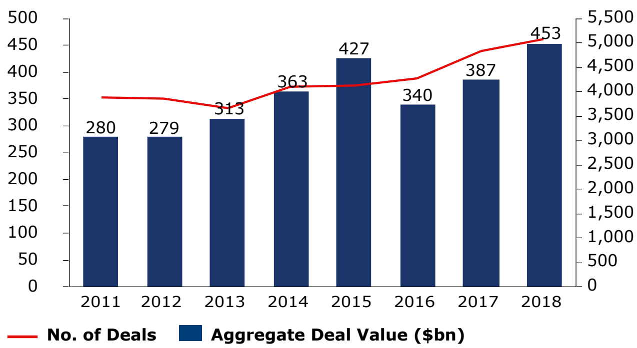
Brexit, the volatility of financial markets in the last quarter of the year, the planned increase in interest rates by the FED and the interruption of quantitative easing by the ECB, the geopolitical uncertainty related to the US trade war with China, the outcomes of which are still far from obvious, the concern related to the slowdown in Chinese growth: these are the big issues of 2018 and the early months of 2019. In this context, Private Equity remains the reference asset class for investors seeking greater stability, avoiding volatility in the fear of corrections that have already begun to appear in public markets in recent months.

As evidenced by the fundraising statistics, global funding from private equity funds remains solid, although slightly down compared to 2017. However, the decline is mainly explained by the absence of large market players which had already raised large amounts of capital in 2017 (Apollo IX, the largest buyout fund in the history of private equity, with subscribed capital of USD 24.7 billion, CVC Capital Partners, which in 2017 closed its seventh European fund at EUR 16 billion, and Silver Lake Partners, with its fifth North American buyout fund of USD 15 billion).

The trends to be highlighted in the Private Equity market remain those already reported in the past: a market consolidation, with more and more investors who prefer blue chips, especially in contexts such as those being experienced, with high multiples and volatility increasing, and where caution is a must. The cycle that has been triggered, and that we have been observing for several years now, sees successive funds of ever-increasing size, speed of use of the capital raised, to the detriment of the diversification of vintage, with a consequent return to the market in ever-closer times, in increasingly limited collection times. While on the one hand we are witnessing the race to consolidate on the most recognised operators, on the other, the answer, especially of smaller operators, lies in the specialisation in market niches, by industrial sector, geography or size of operations, where competition is not as tight. Competition in transactions remains one of the main critical points encountered by investors, together with the ability of managers to invest the ever-increasing capital raised with the same discipline, keeping the ability to create value and consequently the profitability unchanged.

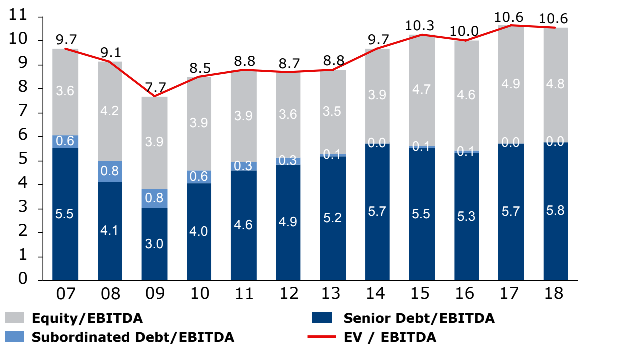
The numbers recorded in the market endorse these concerns: in 2018, more investments were concluded, for the third consecutive year, for an aggregate value of USD 453 billion, against USD 387 billion in the previous year, with an increase of over 15%. This happens in a context in which multiples continue to be very high (10.6x the average recorded in American buyout transactions in 2018, substantially stable to the figure recorded 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%.

**Global value of Private equity investments** (USD billion)



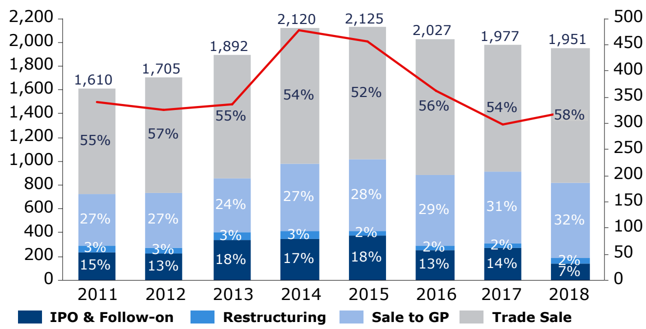

Source: Preqin - February 2019

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




Source: S&P LCD US Leveraged Buyout Review 4Q 2018

**Number and value of divestments of butout funds by exit type (2011-2018)** (USD billion)



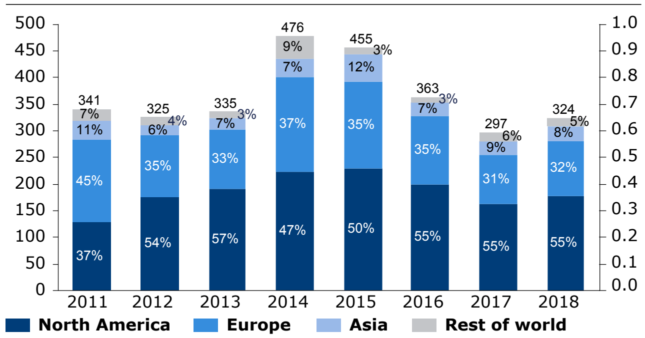

Source: Preqin - February 2019

**Aggregate Exit Value ($bn)**

Analysing investment activity in more detail, we note a significant increase, for the third consecutive year, in terms of the actual number of transactions concluded, but above all in terms of volumes: 2018 closed with an increase of 5% compared to the previous year, with 5,000 transactions concluded for an aggregate value of USD 453 billion (+17%), compared to around 4,800 transactions closed in 2017 for an aggregate volume of USD 387 billion. This positive trend is probably due to the increasing pressure to invest by the funds, due to very high dry powder, estimated at around USD 1,200 billion. As usual, transactions in North American and European markets prevail, and in particular buyout and add-on transactions.

The main and biggest transactions have taken place in the US market, with a significant proportion in the pharmaceutical/medical, industrial and IT sectors, which together accounted for around 45% of all transactions in 2018.

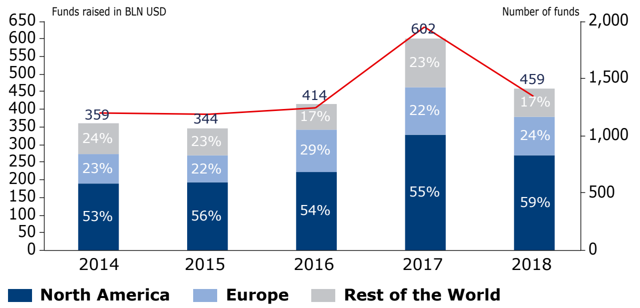
**Value of diverstment of buyout founds by geograohical region (2011-2018)** (USD billion)




Source: Preqin - February 2019

Led by the North American market, there was an increase in disinvestment activities, which after three consecutive years of slowdown closed 2018 with an aggregate exit value of USD 324 billion compared to USD 297 billion in 2017 (approximately +10%). This trend reversal compared to the previous years reveals not only high pressure to use capital, on the part of the acquiring funds, but also a growing appetite on the part of industrial operators towards investments considered strategic for their respective core businesses.

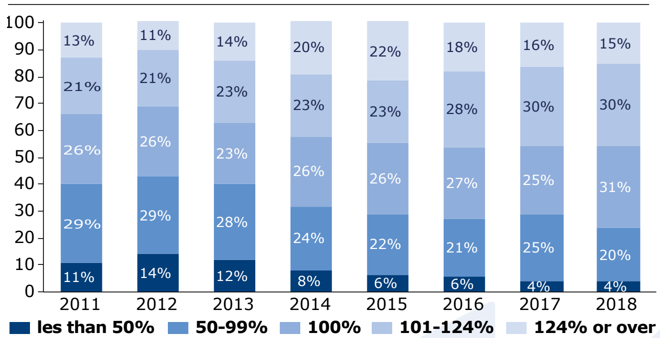
**Global Private Equity fundraising by region (2014 – 2018)** (miliardi di US$)




Source: Preqin – February 2019

**Number of funds**

**Global Private Equity fundraising by target achieved (2011 – 2018)**



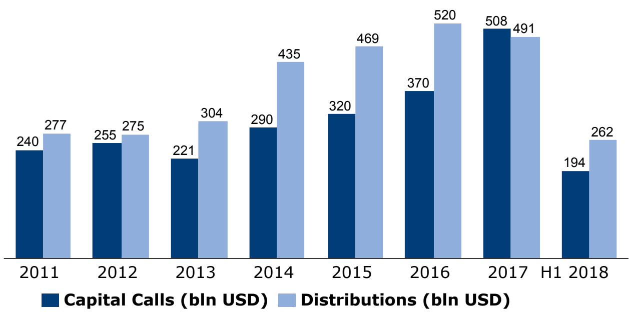

Source: Preqin – February 2019

As anticipated in the introduction, funding slowed down significantly, which however is explained by fundraising activities that in 2017 saw the closure of some of the largest funds in the history of Private Equity, creating a peak of activity in the year. Ultimately, therefore, in 2018, the market restored order altered by the extraordinary activities of jumbo funds, and funding was in any case very solid: at aggregate level, over USD 450 billion was raised from around 1,300 private equity funds closed in 2018.

The keen interest in the private equity asset class is clear from the success and speed with which funds raising capital reach their target size: around 85% achieved this in 2018, compared with 47% in 2010.

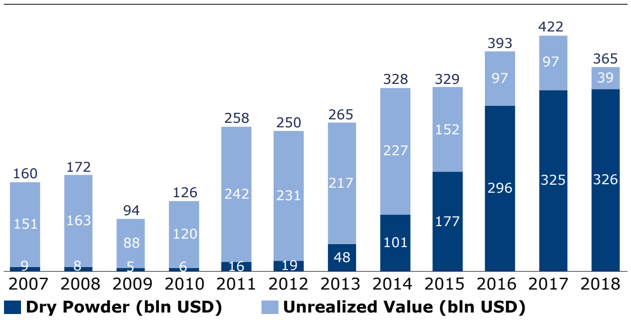
At geographical level, as always, the North American market dominates, which during the year saw aggregate funding of approximately USD 270 billion, equal to 59% of global funding. Instead, the gap between the American and European markets widens: aided by the climate of instability caused by Brexit and other geopolitical tensions in the area, funding in Europe closed with around EUR 110 billion, equal to 24% of aggregate funding. The same slowdown was also seen in the Asian market, which also declined in collected assets (-45%) compared to the previous year.

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




Source: Preqin – February 2019

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




Source: Preqin – February 2019

After a 2017 that saw for the first time in seven years a slightly negative net balance between capital calls and distributions, in 2018, distribution flows returned to detach capital calls. Except for the previous year, the positive net balances continue to generate interest from Limited Partners to maintain or increase their allocations to Private Equity, another factor that has driven funding. However, there is a significant amount of unrealised value in the portfolios of private equity funds, including in older, vintage funds (2008-2012), which shows there is a large number of companies in an advanced state of maturity that are potentially ready to be sold.

With regard to the secondary market, activities continue to affirm a positive trend in 2018, with volumes of completed transactions amounting to USD 74 billion, up 28% compared to USD 58 billion in 2017. The transactions led by the General Partners confirm to be the main driver of the secondary market, with a total volume for 2018 of USD 24 billion, 32% of the entire market. The volume of transactions in 2018 was influenced by the high number of large transactions, characterised by a volume exceeding USD 500 million, which is estimated to be equal to almost 60% of all transactions concluded in the year. The main reasons are restructuring or liquidation of funds with an older vintage. Buyout funds continue to be the protagonists of this market, with 45% of transactions, up 6 percentage points compared to 2017. Venture capital funds follow, the transactions of which increased significantly, from 22% to 29% of all secondary transactions: this trend is probably due to the goal of Limited Partners to reduce exposure to slower strategies in the distribution of proceeds.

Prices recorded a slight reduction, reaching an average discount of 8% for all strategies, against 7% the previous year. The expectations for 2019 are consistent with what occurred in 2018, with volumes of transactions increasing and prices stable or slightly up thanks to the high level of capital to be used in this strategy, with a dry powder of around USD 192 billion.
In conclusion, as is customary, we identify the potential investment themes associated with market conditions as follows:

- The European and US buyout scenario continues to be characterised by high prices, availability of low-cost debt, albeit in anticipation of a further rise in rates over the coming months, and a consistent level of dry powder. The search for extra-returns will have to focus on funds that can count on clear competitive advantages in creating value for the companies in the portfolio: in particular, managers focused on operational efficiency and above all innovation strategies, able to accompany target companies through the inevitable changes that the current market is imposing, such as digitalisation and consolidation.
- In Private Credit, it is possible that in the coming months there will be an increase in restructuring activities, especially if the rate hike continues on the path already taken. In this context, it is therefore possible that

the Distressed Debt funds can find new investment opportunities. However, a reversal of the credit cycle, which may already be visible this year in the American market, still seems to be premature in Europe.

- The Private Equity market in emerging countries is slowly but gradually maturing and the choice of reliable operators will be increasingly important, with proven track record in the generation of operations as well as in the realisation of divestments and in the related liquidation, a significant aspect especially for the Chinese market. Despite the possible criticalities connected to these geographies, however, it will be interesting to seize the investment opportunities that emerging markets, but above all Asian ones, will offer, considering the growth dynamics of these economies and the investment programmes on research and development, at government and industry level, which are being carried out locally.

As regards Italy, the statistics compiled by the AIFI (Italian Private Equity and Venture Capital Association) and currently updated in the first half of 2018 show that the first part of the year registered an amount invested of EUR 2.9 billion, up 49% compared to EUR 1.9 billion at 30 June 2017. Excluding large and mega deals, which represent a share of around 51% of the invested amount, the result is positive at +40%, or EUR 1.4 billion (it was equal to EUR 1 billion in the first six months of the previous year).

Fundraising increased by 55% compared with the same period in 2017. The capital raised on the market was EUR 1.9 billion, compared with EUR 1.2 billion in the first half of 2017.

Regarding private debt, funding was EUR 141 million in the first half of 2018, a sharp decrease compared to EUR 282 million in the first six months of 2017. The geographical distribution of the sector’s funding sources in the first six months of 2018 sees 90% funding in Italy and the remaining 10% from foreign investors.

New private equity investments, in units, amounted to 160 in the first half of 2018, an increase compared to the same period of 2017 (139). In terms of amount, most of the resources invested, as in previous years, went into buyout transactions, which attracted EUR 1.3 billion in the first half of 2018 (EUR 1.2 billion in the first half of 2017). Note also the great achievement of the infrastructure segment, which rocketed by 202% to EUR 1.1 billion (compared with EUR 686 million in the first half of 2017).

Divestment activity decreased in the first half of 2018: 49 investments were sold, representing a slowdown on the 67 sold in the first half of 2017. The amount divested, calculated at historical acquisition cost, totalled EUR 1.1 billion, compared with EUR 1.2 billion in the first half of 2017 (-10.4%).

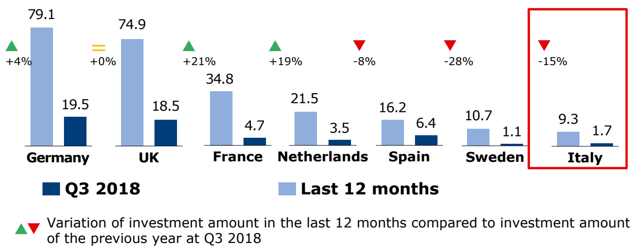
# The Real Estate market in Europe and Italy

## Real Estate in Europe

In the third quarter of 2018, direct institutional investments in non-residential properties in Europe amounted to EUR 69.2 billion, for a total of EUR 314.1 billion in the last 12 months and in line with the previous 12 months.

Between the fourth quarter of 2017 and the third quarter of 2018, investments of EUR 79.1 billion and EUR 74.9 billion respectively confirm Germany and the United Kingdom as the main European markets. This was followed by France with investments of EUR 34.8 billion and the Netherlands which, with an increase of 19% compared to the previous 12 months, reached approximately EUR 21.5 billion. Transaction volumes decreased in Spain and Sweden, -8% for the former and -28% for the latter, reaching EUR 16.2 billion and 10.7 billion respectively. Italy, with an investment volume of EUR 9.3 billion, recorded a 15% loss compared to the 12 months prior to the reference period.

**Sales and Purchases Trend of non-residential properties in main European countries** (EUR billion, %)




Source: CBRE

As regards the type of investments at European level, in the third quarter of 2018, around EUR 27.4 billion were invested in the office sector, equal to about 40% of the total amount transacted.

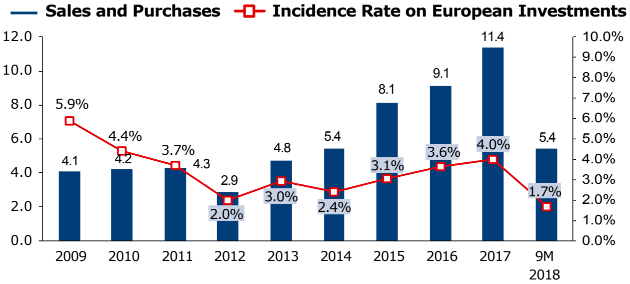
In the same period, the retail sector recorded EUR 10.8 billion of transactions, or about 16% of total transactions, while the residential sector recorded EUR 8.4 billion of transactions, equal to about 12% of the total transacted. In the industrial-logistics sector, EUR 7.2 billion was invested, representing around 10% of total transactions, while the tourism-hospitality sector, with around EUR 6.4 billion transacted, represented 9% of the total invested[1].

1 Source: CBRE - European Investment Market Snapshot, Q3 2018.

## Real Estate in Italy

In the first nine months of 2018, around EUR 5.4 billion was invested in the Italian real estate market, 25% less than in the same period of 2017. This result is substantially in line with the results recorded between 2013 and 2016[2].

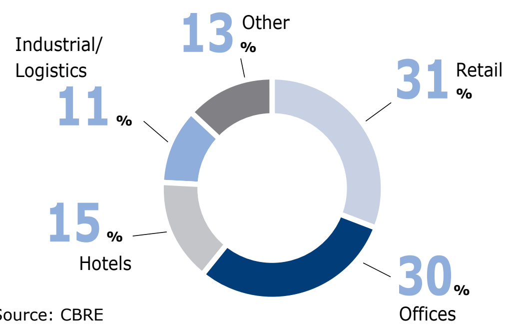
**Sales and Purchases Trend of non-residential properties in Italy and incidence on European** (EUR million, %)




Source: CBRE data revised by Dea Capital

With reference to the type of properties transacted, in the first nine months of 2018, the retail sector represents the first asset class in terms of volumes with approximately EUR 1.7 billion of investments, up 22% compared to the same period of 2017. This was followed by the office sector, for which investments in the third quarter reached EUR 1.6 billion (of which EUR 1.3 billion only in the city of Milan) and the hotel sector, which reached EUR 814 million, 9% increase compared to the same period in the previous year. Investments in the logistics sector, amounting to approximately EUR 607 million, recorded a 30% reduction compared to the first nine months of 2017, reflecting the lack of the pan-European Logicor portfolio, transacted for around EUR 600 million[3].

**Sales and Purchases breakdown of non-residential properties by sector in the first nine months of 2018** (%)




Source: CBRE

Milan and Rome are reconfirmed as the most appealing Italian markets, especially for office and high street assets mainly in central areas, despite the fact that the lack of product has a negative influence on investment volumes.

Taking the real estate 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 168,778 in the third quarter of 2018, shows signs of strengthening, recording general growth in all sectors.

In particular, the total number of transactions recorded in the residential sector was approximately 130,609, up 6.7% compared to the third quarter of 2017, with an estimate for all of 2018 of 572,752 units, up 5.6% compared to the previous year.

In the non-residential segment, sales and purchases recorded in the third quarter totalled 38,169 (a rise of 1.8% compared with the third quarter of 2017). In particular, the tertiary-commercial sector recorded a negative performance of 0.3% with 21,368 transactions; the production sector shows a fall in trade of 6.5% compared to the third quarter of 2017 with purchases and sales of 2,704 units, while the agricultural production sector recorded a 3.0% increase for a total of 537 units. Lastly, the real estate units relating to the non-residential market, not included in the previous categories, amounted to 13,561, an increase of 7.1%.

## Real Estate funds in Italy

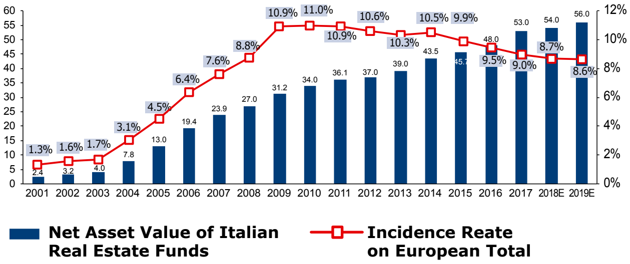
The Italian real estate market is recovering and the real estate fund sector is continuing to grow significantly. According to Scenari Immobiliari, based on closing balance sheet estimates, the net asset value (NAV) should reach EUR 54 billion in 2018, a rise of 2% on the previous year.

The disinvestment continues of properties in the portfolio by retail funds, as well as the gradual reduction in the debt of retail and reserved funds. At the end of June, the average Loan to Value of these funds was 24% and 18% respectively[4].

2 Source: CBRE - Press Release, 10 October 2018.
3 Source: CBRE - Press Release, 10 October 2018.

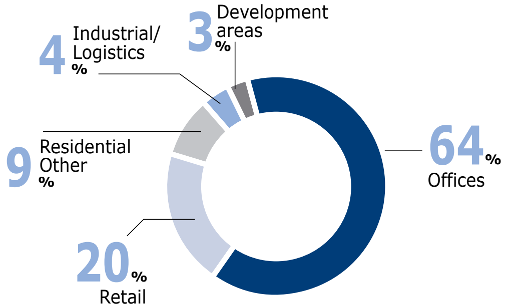
4 Loan to Value (LTV) in December 2017. The LTV is calculated as the ratio between debt and real estate assets.

**Net asset Value trend of Italian Real Estate Funds and Incidence Rate on European total** (EUR million, %)




Source: Scenari Immobiliari

**Asset Allocation of Italian Real Estate Funds (retail and reserved) at 30 June 2018** (%)




Source: Scenari Immobiliari

## Performance of the non-performing loans market

The stock of non-performing loans (NPLs) in the Italian banking sector at the end of the first half of 2018 comprised gross non-performing loans of EUR 130 billion, probable defaults (i.e. loans for which banks consider full repayment unlikely) of EUR 86 billion and past-due exposures of EUR 5 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 shares.

In 2018, 47 NPL transactions with volumes of over EUR 100 million were carried out; of the total volume of EUR 68 billion, secured portfolios accounted for 5.7% (approximately EUR 3.9 billion). The year 2018 saw the conclusion of two jumbo transactions: the securitisation of approximately EUR 24.1 billion of Monte dei Paschi di Siena and the sale of the EUR 10.8 billion portfolio of Intesa Sanpaolo to Intrum, which represented 51% of total volume transacted in 2018.
Also noteworthy is the sale by Banco BPM of a EUR 5.1 billion portfolio called Project Exodus to Christofferson Robb & Company, and the transfer of EUR 2.7 billion of NPLs from UBI Banca to the securitisation vehicle Maior SPV.

## Alternative Asset Management

At 31 December 2018, DeA Capital S.p.A. was the owner of:
- 100% of **DeA Capital Alternative Funds SGR**;
- 94.0% of **DeA Capital Real Estate SGR**;
- 70.0% of **DeA Capital Real Estate France**;
- 45.0% of **YARD** (project, property and facility management activities, real estate brokerage and credit recovery).

# DeA Capital Alternative Funds SGR

## DEA CAPITAL ALTERNATIVE FUNDS SGR

**REGISTERED OFFICE:**
**Italy**

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

**WEBSITE:**
**www.deacapitalaf.com**

**INVESTMENT DETAILS:**
The company operates in private equity fund management (funds of funds, thematic funds and credit recovery funds). At 31 December 2018, the asset management company managed 11 closed-end private equity funds, including 4 funds of funds (IDeA IFoF, ICF II, ICF III and IDeA Crescita Globale), 1 "direct" co-investment fund (IDeA OF I), 5 thematic funds (IDeA EESS, IDeA ToI, IDeA Agro, and the debtor-in-possession financing funds IDeA CCR I and II) and the fund Investitori Associati IV (in liquidation).

The following table shows the value of Assets under Management, Fee-Paying AuM (or the reference amount for the calculation of management fees) and management fees:

| | at 31 December 2018 | | |
|---|---|---|---|
| (Eur million) | *Asset Under Management* (*) | *Fee-Paying AUM* (**) | Management fees |
| Funds of funds | 1,049 | 565 | 5.0 |
| Direct funds | 663 | 401 | 10.9 |
| Credit recovery funds | 718 | 718 | 7.6 |
| **Total DeA Capital Alternative Funds SGR** | **2,430** | **1,684** | **23.5** |

(*) the figures refer to Asset Under Management calculated as the sum of total commitments.
(**) the amount for management fees calculation.

*Asset under management:*
2.4 billion Euro

With regard to operating performance, in 2018 the company recorded an increase in Assets under Management of EUR 240 million, essentially due to the launch at the end of 2018 of the Shipping segment of the IDeA CCR II fund (for EUR 170 million) and the IDeA Agro fund. In terms of management fees, the increase of over EUR 5 million is due to the described dynamics of Assets under Management and performance fees.

| **DeA Capital Alternative Funds SGR** (Eur million) | 31 December 2018 | 31 December 2017 |
|---|---|---|
| AUM | 2,430 | 2,190 |
| Management fees | 23.5 | 18.4 |
| Net Operating Profit (#) | 6.1 | 3.1 |
| Net profit | 6.1 | 3.1 |
| Net Financial Position | 13.8 | 11.9 |

(#) Before the impact of Purchase Price Allocation ("PPA"), impairment, other non-recurring items.

**DEA CAPITAL REAL ESTATE SGR follows >>**

## 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 47 managed funds (including 2 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.
The company has concentrated investments in transactions with low risk, stable returns, low volatility 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 following table shows the value of Assets under Management, Fee-Paying AuM and management fees:

| | at 31 December 2018 | | |
|---|---|---|---|
| (Eur million) | ***Asset Under Management (*)*** | ***Fee-Paying AUM (**)*** | **Commissioni di Gestione** |
| Listed Real Estate funds | 675 | 669 | 5.6 |
| Real Estate funds | 8,776 | 8,104 | 34.2 |
| **Total DeA Capital Alternative Funds SGR** | **9,451** | **8,773** | **39.8** |

(*) the figures refer to Asset Under Management calculated as the sum of funds managed assets.
(**) the amount for management fees calculation.

With regard to operating performance, at 31 December 2018, Assets under Management amounted to EUR 9.5 billion, substantially in line with those at the end of 2017. In 2018, the dynamics of Assets under Management were mainly influenced by the launch in the second half of the year of eight new funds (for a total funding of EUR 1.0 billion) and the sale of real estate of funds.

In terms of management fees, the reduction recorded in comparison with the 2017 figure is attributable to the timing difference between the AuM difference of the funds already in the portfolio and the launch of the new funds, the latter largely concentrated in the last part of the year.

## REGISTERED OFFICE:
**Italy**

## SECTOR:
***Alternative Asset Management - Real Estate***

## WEBSITE:
**www.deacapitalre.com**

*Asset under management:*

9.5 billion Euro

## DEA CAPITAL REAL ESTATE SGR

The Net Profit was negatively affected by the extraordinary impact of the valuation at fair market value of the units held in the funds managed (for EUR -4.5 million, mainly attributable to the IDeA FIMIT Sviluppo I fund) and by the partial devaluation of the assets connected to the equity financial instruments (EUR -1.1 million). It is noted that the 2017 Net Profit/Loss of DeA Capital Real Estate SGR was negatively affected by the partial impairment of goodwill (EUR -34.2 million) and by the partial write-down of assets related to equity financial instruments (EUR -7.0 million).

| **DeA Capital Real Estate SGR** (Eur million) | **31 December 2018** | **31 December 2017** |
|---|---|---|
| AUM | 9,451 | 9,542 |
| Management fees | 39.8 | 41.4 |
| Net Operating Profit (#) | 9.2 | 10.3 |
| Net profit | 2.6 | (32.0) |
| *- of which:* | | |
| *- Shareholders* | *3.7* | *(25.0)* |
| *- Owners of financial equity instruments* | *(1.1)* | *(7.0)* |
| Net Financial Position | 21.6 | 23.6 |

(#) Before the impact of Purchase Price Allocation (“PPA”), impairment, other non-recurring items.

## Private Equity Investment

### *Funds*

At 31 December 2018, the Private Equity Investment sector of DeA Capital S.p.A. includes investments in funds for a net total value in the Consolidated Financial Statements of EUR 125.0 million (corresponding to the estimated fair value calculated using the information available on the date that this document was prepared), mainly related to:

- 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), four thematic funds (IDeA ToI, IDeA Agro, IDeA CCR I and IDeA CCR II), six venture capital funds and the Santa Palomba real estate fund.

The change in the value of the funds in the portfolio recorded in 2018 (EUR 125.0 million at 31 December 2018 compared to EUR 170.9 million at 31 December 2017) is attributable to a capital call for EUR +8.8 million, distributions for EUR -91.5 million (gross of withholding taxes of EUR 3.1 million) and the favourable change in fair value for EUR +36.8 million.

Residual commitments for all the funds in the portfolio were EUR 106.7 million.

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

The table below shows the main performance indicators with particular reference to the funds in the portfolio managed by DeA Capital Alternative Funds SGR.

| (Eur million) | ***Vintage*** | ***Capital Call*** | **DPI (*)** | **TVPI (°)** | **NAV** |
|---|---|---|---|---|---|
| PE Funds managed by DeA Capital AF SGR | | | | | |
| IDeA I FoF | 2007 | 149.9 | 1.1x | 1.3x | 33.1 |
| ICF II | 2009 | 37.6 | 1.0x | 1.8x | 31.3 |
| ICF III | 2014 | 8.5 | 0.0x | 1.2x | 10.4 |
| IDeA OF I | 2008 | 87.9 | 1.0x | 1.2x | 15.2 |
| IDeA EESS | 2011 | 24.2 | 0.9x | 1.3x | 9.3 |
| IDeA ToI | 2014 | 15.6 | 0.8x | 1.5x | 11.9 |
| **Total PE Funds** | | **323.7** | **1.0x** | **1.3x** | **111.2** |
| *Other Funds* | | | | | 13.8 |
| **Total Portfolio Funds** | | | | | **125.0** |

(*) "Distributed to paid-in", or the ratio between the distribution received and the capital call paid
(°) "Total value to paid-in", or the ratio between sum of "cash distribution + NAV" and capital call paid

## IDEA I FUND OF FUNDS

**REGISTERED OFFICE:**
**Italy**

**SECTOR:**
***Private Equity***

**WEBSITE:**
**www.deacapitalaf.com**

*Fund size:*

646 million Euro

### 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.

DeA Capital S.p.A. has a total commitment of up to EUR 164.6 million in the fund.

### BRIEF DESCRIPTION:

IDeA I FoF invested 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 the careful diversification of assets among managers with a proven track record of returns and solidity, different investment approaches, geographical areas and maturities.

In March 2018, given the actual liquidity needs, reduced in the light of the distributions by the funds in the portfolio, IDeA I FoF resolved the reduction of the commitment by EUR 35 million (compared with the original EUR 681 million), up to a total of EUR 646 million. DEA Capital S.p.A.'s commitments therefore reduced from EUR 173.5 million to EUR 164.6 million.

According to the latest report available, the IDeA I FoF portfolio was invested in 39 funds with different investment strategies; these funds in turn hold positions, with varying maturities, in 246 companies active in geographical regions with different growth rates.

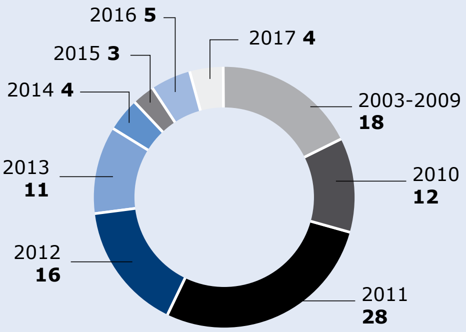
The funds are diversified in the buyout (control) and expansion (minorities) categories, with overweighting towards medium- and small-scale transactions and special situations (distressed debt/equity and turnaround).

At 31 December 2018, IDeA I FoF had called up 91.1% of its total commitment and had made distributions totalling 101.0% of that commitment.

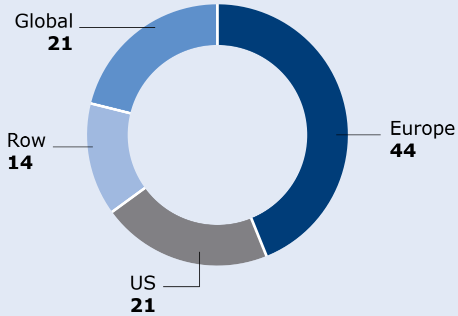
## OTHER IMPORTANT INFORMATION:

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.

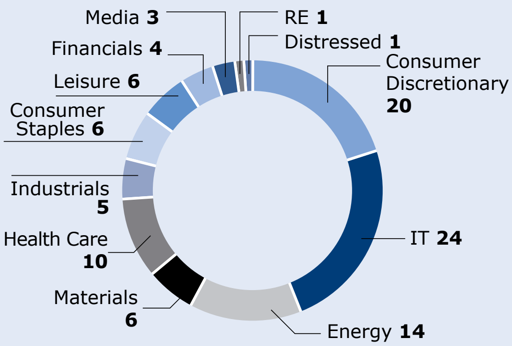
**Breakdown by year of investment**[1] (%)



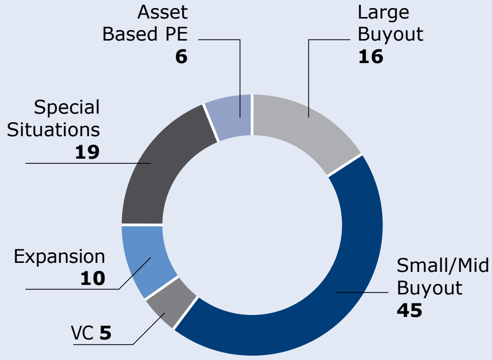

**Breakdown by Geographic Area**[2] (%)




**Breakdown by Sector**[1] (%)




**Breakdown by Strategy**[2] (%)




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 33.1 million in the Consolidated Financial Statements at 31 December 2018 (EUR 49.5 million at 31 December 2017). The change was due to capital calls of EUR +0.5 million, distributions of EUR -19.8 million and an increase in fair value of EUR +2.9 million.

The table below shows the key figures for IDeA I FoF at 31 December 2018.

| **IDeA I FoF** Eur (€) | Registered office | Year of commitment | Fund Size | Subscribed commitment | % DeA Capital in the fund |
|---|---|---|---|---|---|
| IDeA I Fund of Funds | **Italy** | 2007 | 646,044,030 | 164,582,100 | 25.48 |
| ***Residual Commitments*** | | | | | |
| **Total residual commitment in:** | | **Eur** | | **14,687,187** | |

## ICF II

**REGISTERED OFFICE:**
**Italy**

**SECTOR:**
***Private Equity***

**WEBSITE:**
**www.deacapitalaf.com**

*Fund size:*

281 million Euro

### 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.

DeA Capital S.p.A. has a total commitment of up to EUR 51 million in the fund.

### BRIEF DESCRIPTION

ICF II, with total assets of EUR 281 million, invested 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 the 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 buyouts, distressed and special situations, loans, turnarounds and funds with a specific sector slant, targeting, in particular, opportunities offered in the secondary market.

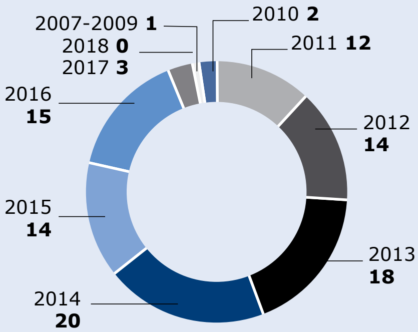
Based on the latest report available, the ICF II portfolio was invested in 27 funds with different investment strategies; these funds in turn hold positions, with varying maturities, in around 377 companies active in various geographical areas.

At 31 December 2018, ICF II had called up around 73.8% of its total commitment and had made distributions totalling 73.4% of that commitment.

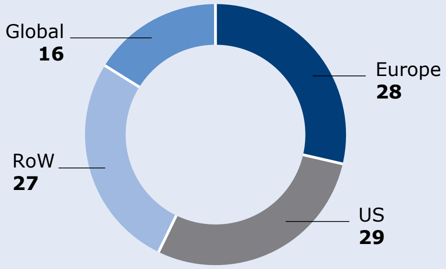
## OTHER IMPORTANT INFORMATION:

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.

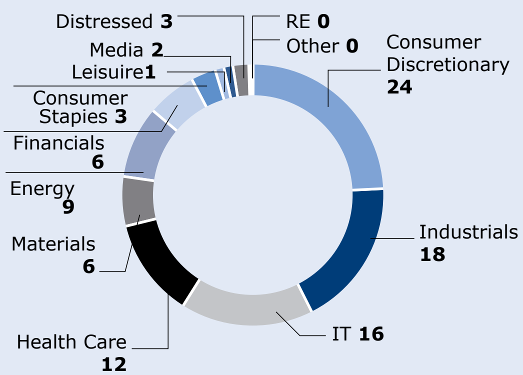
**Breakdown by Year of Investment[1]** (%)



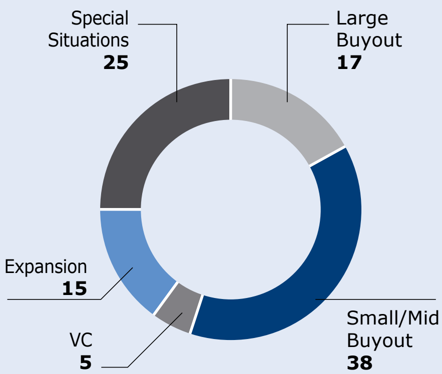

**Breakdown by Geographic Area[2]** (%)




**Breakdown by Sector[1]** (%)




**Breakdown by Strategy[2]** (%)




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 EUR 31.3 million in the Consolidated Financial Statements at 31 December 2018 (EUR 37.9 million at 31 December 2017). The change was due to capital calls of EUR +0.3 million, capital reimbursements of EUR -11.6 million and an increase in fair value of EUR +4.7 million.

The table below shows the key figures for ICF II at 31 December 2018.

| **ICF II** Eur (€) | Registered office | Year of commitment | Fund Size | Subscribed commitment | % DeA Capital in the fund |
|---|---|---|---|---|---|
| ICF II | **Italy** | 2009 | 281,000,000 | 51,000,000 | 18.15 |
| ***Residual Commitments*** | | | | | |
| **Total residual commitment in:** | | **Eur** | | **13,397,585** | |

## ICF III

**REGISTERED OFFICE:**
**Italy**

**SECTOR:**
***Private Equity***

**WEBSITE:**
**www.deacapitalaf.com**

*Fund size:*

67 million Euro

### 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.

DeA Capital S.p.A. 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 fund is divided into three parts:

- **Core**, with a focus on buyouts, 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, buyouts, distressed assets and venture capital operations in emerging markets.

At 31 December 2018, ICF III had called up 67.0%, 65.0% and 70.0% in the Core, Credit & Distressed and Emerging Markets segments respectively.

The units in ICF III were valued at EUR 10.4 million in the Consolidated Financial Statements at 31 December 2018 (EUR 7.9 million at 31 December 2017). The increase was due to capital calls of EUR +1.4 million and an increase in fair value of EUR +1.1 million.

The table below shows the key figures for ICF III at 31 December 2018.

| **ICF III** (€) | **Registered office** | **Year of commitment** | **Fund Size** | **Subscribed commitment** | **% DeA Capital in the fund** |
|---|---|---|---|---|---|
| ICF III | Italia | 2014 | 66,950,000 | 12,500,000 | 18.67 |
| of which: | | | | | |
| Core Segment | | | 34,600,000 | 1,000,000 | 2.89 |
| Credit & Distressed Segment | | | 17,300,000 | 4,000,000 | 23.12 |
| Emerging Markets Segment | | | 15,050,000 | 7,500,000 | 49.83 |
| ***Residual Commitments*** | | | | | |
| **Total residual commitment in:** | | **Eur** | | **3,998,497** | |

**IDEA OPPORTUNITY FUND I** follows >>

DeA Capital
Alternative Funds SGR

## INVESTMENT DETAILS:

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

DeA Capital S.p.A. 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 2018, IDeA OF I had called up 86.4% of the total commitment and distributed 86.4% of that commitment, after making nine investments (of which two were still in the portfolio at that date).

## SIGNIFICANT EVENTS IN 2018

In March 2018, the sale of the entire shareholding in **Elemaster** (10.0%) was completed, at a price of EUR 8.5 million, in line with the book value of the investment.

In June 2018, an agreement was reached with **Giochi Preziosi** for the transfer of the convertible bond issued by the same company and the repayment of other receivables, for a total amount of EUR 10.0 million (of which EUR 9.5 million already collected at 31 December 2018 and the residual amount to be collected in 2019).

In July 2018, the sale was finalised of the shareholding in **Corin**, a company specialised in the production and commercialisation of orthopaedic hip and knee prostheses. The transaction provided for a net payment for the fund of EUR 65.6 million, for a multiple of over 4.0x the investment and a gain of about EUR 51 million (about EUR 24 million for the portion of the DeA Capital Group).

The units held in IDeA OF I were reported in the Consolidated Financial Statements at

## REGISTERED OFFICE:

**Italy**

## SECTOR:

***Private Equity***

## WEBSITE:

**www.deacapitalaf.com**

*Fund size:*

217 million Euro

# IDeA OF I

## IDEA OPPORTUNITY FUND I

31 December 2018 at a net value of EUR 15.2 million, versus EUR 25.4 million at 31 December 2017. The change is attributable to capital calls of EUR +0.6 million, capital reimbursements of EUR -37.6 million and pro-quota net profit of the fund of EUR +26.8 million; the latter is mainly attributable to the gain recorded on the sale of the equity investment held in Corin.

The table below shows a breakdown of the fund's NAV at 31 December 2018.

| (EUR million) | **Industry** | **% share** | **Investment date** | **100%** | **DeA Capital** |
|---|---|---|---|---|---|
| **Portfolio participations** | | | | | |
| 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 | 17,5 | 8,2 |
| **Total portfolio participations** | | | | **23,5** | **11,0** |
| Other receivables | | | | 4,2 | 2,0 |
| Other assets (liabilities) | | | | (0,1) | 0,0 |
| Cash and cash equivalents | | | | 4,7 | 2,2 |
| **Total Net Equity** | | | | **32,3** | **15,2** |

The table below shows the key figures for IDeA OF I at 31 December 2018.

| **IDeA OF I** (€) | **Registered office** | **Year of commitment** | **Fund Size** | **Subscribed commitment** | **% DeA Capital in the fund** |
|---|---|---|---|---|---|
| IDeA Opportunity Fund I | Italy | 2008 | 216,550,000 | 101,750,000 | 46.99 |
| ***Residual Commitments*** | | | | | |
| **Total residual commitment in:** | | **Eur** | | **13,873,127** | |

**IDEA EFFICIENZA ENERGETICA E SVILUPPO SOSTENIBILE (IDEA ENERGY EFFICIENCY AND SUSTAINABLE DEVELOPMENT) follows >>**

DEA CAPITAL
ALTERNATIVE FUNDS SGR

## INVESTMENT DETAILS:

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

DeA Capital S.p.A. 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 $CO_2$ emissions.

At 31 December 2018, IDeA EESS had called up 79.5% of the total commitment and distributed 69.5% of that commitment, after making nine investments (of which four were still in the portfolio at that date).

**Significant events in 2018**

On 10 July 2018, IDeA EESS finalised the block sale of the remaining shares of the subsidiary **SMRE**, a company specialised in the design and development of industrial machines with a strong technological component, for a net amount of EUR 11 million. Following this sale and taking into account what was achieved previously, the fund collected a total of EUR 25 million from the investment, for a multiple of more than 7.0x the capital invested.

In July 2018, Edison, a leading national energy operator, launched a public tender offer for the shares of the investee company **Zephyro**, a company specialised in the provision of integrated energy management solutions, at a price of EUR 10.25 per share. The transaction was finalised in October 2018, with a net income for the fund of EUR 8.8 million, for a total return of 1.4x the capital invested.

The units in IDeA EESS were valued at EUR 9.3 million in the Consolidated Financial Statements at 31 December 2018 (EUR 16.5 million at 31 December 2017). The change was due to capital calls of EUR +0.4 million, capital reimbursements of EUR -6.8 million and a decrease in fair value of EUR -0.8 million.

## REGISTERED OFFICE:

**Italy**

## SECTOR:

***Private Equity***

## WEBSITE:

**www.deacapitalaf.com**

*Fund size:*

100 million Euro

# IDeA EESS

## IDEA EFFICIENZA ENERGETICA E SVILUPPO SOSTENIBILE (IDEA ENERGY EFFICIENCY AND SUSTAINABLE DEVELOPMENT)

The table below shows a breakdown of the fund's NAV at 31 December 2018.

| (EUR million) | Industry | % share | Investment date | 100% | DeA Capital |
|---|---|---|---|---|---|
| **Portfolio investments** | | | | | |
| Elemaster | Electronic boards | 10.0% | February 27, 2013 | 8.5 | 2.6 |
| Baglioni | Design / production of compressed air tanks | 41.2% | February 5, 2015 | 5.0 | 1.5 |
| Tecnomeccanica | Lighting components for the automotive sector | 93.6% | October 27, 2016 | 4.5 | 1.4 |
| Stalam | Radiofrequency equipment for textile and food sector | 90.4% | November 30, 2016 | 4.6 | 1.4 |
| **Total portfolio investments** | | | | **22.6** | **6.9** |
| Other assets (liabilities) | | | | 0.0 | 0.0 |
| Cash and cash equivalents | | | | 8.0 | 2.4 |
| **Total Net Equity** | | | | **30.6** | **9.3** |

The table below shows the key figures for IDeA EESS at 31 December 2018.

| **IDeA EESS** (€) | Registered office | Year of commitment | Fund Size | Subscribed commitment | % DeA Capital in the fund |
|---|---|---|---|---|---|
| IDeA Efficienza Energetica e Sviluppo Sostenibile | Italy | 2011 | 100,000,000 | 30,400,000 | 30.40 |
| ***Residual Commitments*** | | | | | |
| **Total residual commitment in:** | | **Eur** | | **6,236,526** | |

DEA TASTE OF ITALY (TOI)

## INVESTMENT DETAILS:

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

DeA Capital S.p.A. has a total commitment of up to 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 mainly in 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 2018, IDeA ToI had called up 61.8% of the total commitment and distributed 47.8% of that commitment, after making five investments.

**Significant events in 2018**

As laid down in the contractual agreements signed in December 2017, between January and July 2018, IDeA ToI paid EUR 20 million for the second part of the investment in **Botter**, the Italian wine market operator, for a total investment of EUR 30 million and a holding of 22.5% of the company's capital.

On 15 March 2018, IDeA ToI collected EUR 104.2 million from the vehicle Toi Uno following the completion, in February 2018, of the sale of the La Piadineria Group. As provided for in the sale agreements, on 19 February 2018, IDeA ToI reinvested EUR 20 million in the **La Piadineria** Group in exchange for an interest of 8.82%. Following the aforementioned transaction, the fund distributed approximately EUR 103 million to its own shareholders (approximately EUR 12 million for the DeA Capital portion).

The units in IDeA ToI were valued at EUR 11.9 million in the Consolidated Financial Statements at 31 December 2018 (EUR 20.7 million at 31 December 2017). The change was due to capital calls of EUR +3.8 million, capital reimbursements of EUR -12.0 million and a decrease in fair value of EUR -0.6 million.

The table below shows the key figures for IDeA ToI at 31 December 2018.

| **IDeA ToI** (€) | **Registered office** | **Year of commitment** | **Fund Size** | **Subscribed commitment** | **% DeA Capital in the fund** |
|---|---|---|---|---|---|
| IDeA Taste of Italy | Italy | 2014 | 218,100,000 | 25,200,000 | 11,55 |
| ***Residual Commitments*** | | | | | |
| **Total residual commitment in:** | | **Eur** | | **9,631,093** | |

## REGISTERED OFFICE:

**Italy**

## SECTOR:

***Private Equity***

## WEBSITE:

**www.deacapitalaf.com**

*Fund size:*

218 million Euro

## IDEA AGRO

**REGISTERED OFFICE:**
**Italy**

**SECTOR:**
***Private Equity***

**WEBSITE:**
**www.deacapitalaf.com**

*Fund size:*

80 million Euro

### INVESTMENT DETAILS:

IDeA Agro is a closed-end fund under Italian law for qualified investors, which began operations on 10 July 2018 and is managed by DeA Capital Alternative Funds SGR.

DeA Capital S.p.A. has a total commitment of EUR 2.1 million in the fund.

### BRIEF DESCRIPTION

IDeA Agro, which has initial assets of EUR 80.0 million, is a closed-end mutual fund under Italian law for qualified investors, which seeks to acquire majority and minority interests in Italian companies operating in the agricultural sector in a sustainable manner. The fund aims to improve the agricultural management of the supply chain, commercialise processed agricultural products and increase the land value of acquired agricultural companies.

At 31 December 2018, IDeA Agro had called up 1.6% of the subscribed commitment.

The units in IDeA Agro have a value in the Consolidated Financial Statements at 31 December 2018 that is still not significant.

The table below shows the key figures for IDeA Agro at 31 December 2018.

| **IDeA Agro** (€) | **Registered office** | **Year of commitment** | **Fund Size** | **Subscribed commitment** | **% DeA Capital in the fund** |
|---|---|---|---|---|---|
| IDeA Agro | Italy | 2018 | 80,000,000 | 2,100,000 | 2.63 |
| ***Residual Commitments*** | | | | | |
| **Total residual commitment in:** | | **Eur** | | **2,066,761** | |

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

### INVESTMENT DETAILS:

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

At 31 December 2018, the total commitment of DeA Capital S.p.A. in the fund was EUR 7.7 million.

### BRIEF DESCRIPTION

IDeA CCR I, which has total assets of EUR 221.8 million at 31 December 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). It shares the profits between creditors and new investors through:

- 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:

- **Loans segment**, which has acquired loans and financial equity instruments relating to financing operations for the Target Companies from eight banks, for a consideration of approximately EUR 179.1 million, in exchange for the allocation of units in the fund's Loans segment;
- **New finance segment**, which has commitments for new financial resources of up to around EUR 42.8 million, which could be used for the Target Companies.

At 31 December 2018, the Loans segment was fully invested while the New finance segment called 26.3% of the total commitment. At the same date, the Loans and New finance segments distributed 38.0% and 12.4% respectively of their commitment.

The units in IDeA CCR I were valued at approximately EUR 0.9 million in the Consolidated Financial Statements at 31 December 2018 (EUR 1.6 million at 31 December 2017). The change was due to capital calls of EUR +0.1 million, distributions of EUR -0.7 million and a decrease in fair value of EUR -0.1 million.

The table below shows the key figures for the IDeA CCR I fund at 31 December 2018:

| **IDeA CCR I** (€) | **Registered office** | **Year of commitment** | **Fund Size** | **Subscribed commitment** | **% DeA Capital in the fund** |
|---|---|---|---|---|---|
| IDeA CCR I | Italy | 2016 | 221,821,595 | 7,650,000 | 3.45 |
| of which: | | | | | |
| New Financing Segment | | | 42,750,000 | 7,575,000 | 17.72 |
| Credit Segment | | | 179,071,595 | 75,000 | 0.04 |
| ***Residual commitments*** | | | | | |
| **Total residual commitment in:** | | **Eur** | | **5,508,520** | |

**REGISTERED OFFICE:**
**Italy**

**SECTOR:**
***Private Equity***

**WEBSITE:**
**www.deacapitalaf.com**

*Fund size:*

222 million Euro

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

**REGISTERED OFFICE:**
**Italy**

**SECTOR:**
***Private Equity***

**WEBSITE:**
**www.deacapitalaf.com**

*Fund size:*

497 million Euro

### INVESTMENT DETAILS:

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

DeA Capital S.p.A. has a total fund commitment (in the Loans and New finance segments) of EUR 15.15 million.

### BRIEF DESCRIPTION

IDeA CCR II, which has total assets of EUR 496.8 million at 31 December 2018, is a closed-end mutual fund under Italian law for qualified investors, which aims to help relaunch Italian companies that are facing financial difficulties but have solid business fundamentals (Target Companies). It shares the profits between creditors and new investors, with an approach similar to the one of the IDeA CCR I fund described above. On 21 December 2018, the fund completed the closing of the Shipping segment, bringing the overall allocation of the fund from EUR 326.5 million to EUR 496.8 million.

The fund is divided into three parts:

- **Loans segment**, which has acquired loans for the Target Companies from among the various leading Italian banks for a consideration of approximately EUR 256.8 million, in exchange for the allocation of units in the fund's Loans segment;
- **New finance segment**, which has obtained commitments for new financial resources of up to around EUR 69.7 million, which could be used for the Target Companies or companies with similar characteristics;
- **Shipping segment**, which acquired the loans of eight ship management Target Companies from three partner banks for a consideration of approximately EUR 170.3 million, in exchange for the allocation of units in the Shipping segment.

At 31 December 2018, the Credit and Shipping segments were fully invested, while the New finance segment called commitments for 11.3% of the commitment.

The units in IDeA CCR II were valued at approximately EUR 1.6 million in the Consolidated Financial Statements at 31 December 2018 (zero at 31 December 2017). The change was due to capital calls of EUR 1.7 million and a decrease in fair value of EUR -0.1 million.

The table below shows the key figures for the IDeA CCR II fund at 31 December 2018:

| **IDeA CCR II** (€) | **Registered office** | **Year of commitment** | **Fund Size** | **Subscribed commitment** | **% DeA Capital in the fund** |
|---|---|---|---|---|---|
| IDeA CCR II | Italy | 2017 | 496,840,414 | 15,150,000 | 3.05 |
| of which: | | | | | |
| New Financing Segment | | | 69,750,000 | 15,075,000 | 21.61 |
| Credit Segment | | | 256,784,737 | 75,000 | 0.03 |
| Shipping Segment | | | 170,305,677 | n.a. | n.a. |
| ***Residual Commitments*** | | | | | |
| **Total residual commitment in:** | | **Eur** | | **13,416,896** | |

**Venture capital funds**

The units in venture capital funds had a total value of approximately EUR 9.0 million in the Financial Statements at 31 December 2018 (EUR 8.6 million at 31 December 2017). The change in the period was due to distributions of EUR -2.5 million and the increase in fair value of around EUR 2.9 million.

The table below shows the key figures for venture capital funds in the portfolio at 31 December 2018:

| Venture Capital Funds<br>Dollars (USD) | Registered office | Year of commitment | Fund Size | Subscribed commitment | % DeA Capital in the 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 |
| **Total Dollars** | | | | **21.925.000** | |

| | | | | | |
|---|---|---|---|---|---|
| **Euro (€)** | | | | | |
| Nexit Infocom 2000 | Guernsey | 2000 | 66,325,790 | 3,819,167 | 5.76 |

| | | | | | |
|---|---|---|---|---|---|
| **Pounds sterling (GBP)** | | | | | |
| Amadeus Capital II | UK EU | 2000 | 235,000,000 | 13,500,000 | 5.74 |
| ***Residual Commitments*** | | | | | |
| **Total residual commitment in:** | | **Euro** | | **3,260,078** | |

## Equity investments

At 31 December 2018, the DeA Capital Group was a shareholder of:

- Kenan Investments, holder of a shareholding in Migros (for a value of EUR 19.4 million);
- Cellularline, Italian leader in the development and sale of accessories for smartphones and tablets (for a value of EUR 7.6 million).
- IDeaMI, a special purpose acquisition company (for a value of EUR 23.8 million) that is waiting to identify the target for the Business Combination operation;

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.

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

MiGROS


### INVESTMENT DETAILS:

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

### BRIEF DESCRIPTION

Migros was established in 1954 and is the leading company in the large-scale food retail sector in Turkey. The company has 2,103 sales outlets, with a total net area of 1,497 thousand square metres.

Migros is present in all seven regions of Turkey, and has a marginal presence 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 large-scale 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.

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 at 31 December 2018 at EUR 19.4 million (compared with EUR 45.6 million at 31 December 2017).

The change compared to 31 December 2017 (EUR -26.2 million) is mainly attributable to the decrease in fair value, due to the combined effect of the decrease in the price per share (TRY 14.90 per share at 31 December 2018, versus TRY 27.56 per share at 31 December 2017) and the devaluation of the Turkish lira against the euro (6.06 EUR/TRY at 31 December 2018, versus 4.55 EUR/TRY at 31 December 2017).

| **Migros** (mln TRY) | **31 December 2018** | **31 December 2017** | **Change** |
|---|---|---|---|
| Revenues | **18,717** | 15,344 | 22.0% |
| EBITDA | **1,217** | 872 | 39.6% |
| Net financial debt | **(2,872)** | (2,283) | -589 mln TRY |

### REGISTERED OFFICE:

**Turkey**

### SECTOR:

**Large-scale retail**

### WEBSITE:

**www.migros.com.tr**

Leader in the food retail sector in Turkey

## Consolidated Income Statement

In 2018, the consolidated Net Profit was EUR 41.3 million (of which EUR 11.1 million related to the Group), compared with a net loss of EUR -25.6 million (of which EUR -11.7 million related to the Group) in the same period in 2017.

Revenue and other income break down as follows:
- Alternative Asset Management fees of EUR 62.4 million (EUR 57.9 million in 2017);
- result from equity investments valued at negative equity for EUR -0.1 million (positive for EUR 3.9 million in 2017, the latter mainly related to the performance of the EESS fund);
- other income and expenses from investments totalling EUR 37.8 million (EUR 8.6 million in 2017), mainly due to the performance of the OF I fund investments (EUR +51.4 million, related to the gain on the sale of Corin), and the reduction in the fair value of Kenan Inv./Migros (EUR -25.2 million);
- revenue from service activities of EUR 2.5 million (EUR 2.2 million in 2017).

Operating costs totalled EUR 56.2 million in 2018, compared to EUR 98.6 million in 2017 (the latter included the goodwill adjustment of DeA Capital Real Estate SGR, allocated to the operation between FARE SGR and FIMIT SGR, for EUR -34.2 million).

The yearly costs for 2018 break down into EUR 47.5 million relating to Alternative Asset Management, EUR 2.6 million to Private Equity Investment and EUR 6.1 million to holding company activities. The costs of Alternative Asset Management include the effects of the amortisation of assets recorded in the allocation phase of a part of the purchase price of the investment in DeA Capital Real Estate SGR (EUR 1.2 million).

Net financial income and expenses totalled EUR +0.5 million at 31 December 2018 (EUR -0.1 million in 2017).

The full tax impact for 2018 (EUR -5.8 million, compared with EUR -0.4 million in 2017) is the result of taxes of EUR -4.8 million (EUR -3.0 million in 2017) due in respect of Alternative Asset Management activities, offset by tax credits of EUR -1.0 million (EUR +2.6 million in 2017) relating to holding company structures.

The consolidated Net Profit of EUR 41.3 million breaks down as follows: EUR 39.1 million attributable to Private Equity Investment, EUR 9.2 million to Alternative Asset Management and EUR -7.0 million to holding company operations/eliminations.

The Group's Net Profit of EUR 11.1 million breaks down as follows: EUR 9.0 million attributable to Private Equity Investment, EUR 9.1 million to Alternative Asset Management and EUR -7.0 million to holding companies/eliminations.

*Following the introduction of IFRS 9 starting from 1 January 2018, essentially all the changes in the fair value of financial investments are recorded in the Income Statement, while they were partly recorded in equity in 2017. The comparison at the level of the Consolidated Income Statement between 2018 and the corresponding period of 2017 is therefore not significant with reference to the performance of Other Investment income/expense.*

## Summary Group Income Statement

| (EUR thousand) | **Financial Year 2018** | **Financial Year 2017** |
|---|---|---|
| Alternative Asset Management fees | 62,422 | 57,944 |
| Income (loss) from investments valued at equity | (59) | 3,898 |
| Other investment income/expense | 37,848 | 8,633 |
| Income from services | 2,505 | 2,208 |
| Other revenues and income | 141 | 144 |
| Other expenses and charges (*) | (56,232) | (98,616) |
| Financial income and expenses | 485 | (84) |
| **PROFIT/(LOSS) BEFORE TAX** | **47,110** | **(25,873)** |
| Income tax | (5,765) | (420) |
| **PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS** | **41,345** | **(26,293)** |
| Profit (Loss) from discontinued operations/held-for-sale assets | 0 | 682 |
| **PROFIT/(LOSS) FOR THE PERIOD** | **41,345** | **(25,611)** |
| - Group share | 11,070 | (11,652) |
| - Non controlling interests | 30,275 | (13,959) |
| Earnings per share, basic (€) | 0.044 | (0.045) |
| Earnings per share, diluted (€) | 0.044 | (0.045) |

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

## Performance by business in 2018

| (EUR thousand) | Private Equity Investment | Alternative Asset Management | Holdings/ Eliminations | Consolidated |
|---|---|---|---|---|
| Alternative Asset Management fees | 0 | 63,251 | (829) | 62,422 |
| Income (loss) from investments valued at equity | (776) | 717 | 0 | (59) |
| Other investment income/expense | 42,060 | (4,212) | 0 | 37,848 |
| Other revenues and income | 2 | 1,867 | 777 | 2,646 |
| Other expenses and charges | (2,635) | (47,539) | (6,058) | (56,232) |
| Financial income and expenses | 501 | (39) | 23 | 485 |
| **PROFIT/(LOSS) BEFORE TAXES** | **39,152** | **14,045** | **(6,087)** | **47,110** |
| Income tax | 0 | (4,817) | (948) | (5,765) |
| **PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS** | **39,152** | **9,228** | **(7,035)** | **41,345** |
| Profit (Loss) from discontinued operations/held-for-sale assets | 0 | 0 | 0 | 0 |
| **PROFIT/(LOSS) FOR THE PERIOD** | **39,152** | **9,228** | **(7,035)** | **41,345** |
| - Group share | 8,986 | 9,119 | (7,035) | 11,070 |
| - Non controlling interests | 30,166 | 109 | 0 | 30,275 |

## 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 investments valued at equity | 3,076 | 822 | 0 | 3,898 |
| Other investment income/expense | 6,957 | 1,676 | 0 | 8,633 |
| Other Income | 31 | 703 | 1,618 | 2,352 |
| Other expenses | (2,259) | (91,116) | (5,241) | (98,616) |
| Financial income and expenses | (160) | 13 | 63 | (84) |
| **PROFIT/(LOSS) BEFORE TAXES** | **7,645** | **(28,082)** | **(5,436)** | **(25,873)** |
| Income tax | 0 | (2,991) | 2,571 | (420) |
| **PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS** | **7,645** | **(31,073)** | **(2,865)** | **(26,293)** |
| Profit (Loss) from discontinued operations/held-for-sale assets | 682 | 0 | 0 | 682 |
| **PROFIT/(LOSS) FOR THE PERIOD** | **8,327** | **(31,073)** | **(2,865)** | **(25,611)** |
| - Group share | 8,711 | (17,498) | (2,865) | (11,652) |
| - Non controlling interests | (384) | (13,575) | 0 | (13,959) |

## 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 positive balance of EUR 10.9 million substantially due to the Net Profit for the period.

| (EUR thousand) | Financial Year 2018 | Financial Year 2017 |
|---|---|---|
| **Profit/(loss) for the period (A)** | **41,345** | **(25,611)** |
| Comprehensive incomes/expenses which might be subsequently reclassified to the profit (loss) for the period (*) | (173) | 7,962 |
| Comprehensive incomes/expenses which will not be subsequently reclassified to the profit (loss) for the period | (21) | 14 |
| **Other comprehensive incomes /(losses), net of tax (B)** | **(194)** | **7,976** |
| **Total comprehensive incomes / (losses) for the period (A)+(B)** | **41,151** | **(17,635)** |
| **Total comprehensive incomes (losses) attributable to:** | | |
| - Group Share | 10,881 | (2,708) |
| - Non Controlling Interests | 30,270 | (14,927) |

(*) For 2017 the item reclected changes in the fair value of financial assets classified as Available for Sale; in accordance with IFRS 9, as from 1 january 2018, changes in the fair value are almost entirely recognised in the income statement.

## Consolidated Statement of Financial Position

Below is the Group's Statement of Financial Position at 31 December 2018, compared with 31 December 2017. A comparison is also made with the figures at 1 January 2018, which incorporate the reclassification/restatement following the application of the new accounting standards IFRS 9 and IFRS 15 with respect to the situation at 31 December 2017.

| (EUR thousand) | **31.12.2018** | **1.1.2018 (*)** | **31.12.2017** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| ***Intangible and tangible assets*** | | | |
| Goodwill | 93,745 | 93,745 | 93,745 |
| Intangible assets | 21,023 | 23,488 | 23,488 |
| Property, plant and equipment | 854 | 1,458 | 1,458 |
| *Total intangible and tangible assets* | *115,622* | *118,691* | *118,691* |
| ***Investments*** | | | |
| Investments in associates | 20,892 | 29,293 | 29,293 |
| Investments held by Funds | 23,511 | 48,583 | 48,583 |
| Other Investments available for sale | 0 | 0 | 78,953 |
| Other Investments at Fair Value through P&L | 50,953 | 78,953 | |
| Funds available for sale | 0 | 0 | 169,776 |
| Funds at Fair Value through P&L | 153,551 | 169,776 | 0 |
| Other financial assets available for sale | 0 | 0 | 13 |
| Other financial assets at Fair Value through P&L | 36 | 13 | 0 |
| *Total financial Investments* | *248,943* | *326,618* | *326,618* |
| ***Other non-current assets*** | | | |
| Deferred tax assets | 2,183 | 2,173 | 2,173 |
| Loans and receivables | 752 | 684 | 684 |
| Receivables for deferment of placement costs | 482 | 587 | 0 |
| Other non-current assets | 4,668 | 5,403 | 5,403 |
| *Total other non-current assets* | *8,085* | *8,847* | *8,260* |
| **Total non-current assets** | **372,650** | **454,156** | **453,569** |
| **Current assets** | | | |
| Trade receivables | 14,678 | 16,069 | 16,069 |
| Financial assets at Fair Value | 6,316 | 4,385 | 4,385 |
| Financial receivables | 500 | 578 | 578 |
| Tax receivables from parent companies | 374 | 1,055 | 1,055 |
| Other tax receivables | 15,760 | 11,272 | 11,272 |
| Other receivables | 4,051 | 16,886 | 16,886 |
| Cash and cash equivalents | 143,767 | 127,916 | 127,916 |
| *Total current assets* | *185,446* | *178,161* | *178,161* |
| **Total current assets** | **185,446** | **178,161** | **178,161** |
| **TOTAL ASSETS** | **558,096** | **632,317** | **631,730** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| **Net equity Group** | **466,481** | **489,877** | **489,431** |
| **Minority interests** | **39,299** | **95,182** | **95,182** |
| **Shareholders' equity** | **505,780** | **585,059** | **584,613** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Trade payables | 900 | 0 | 0 |
| Deferred tax liabilities | 6,018 | 8,190 | 8,049 |
| End-of-service payment fund | 4,637 | 4,204 | 4,204 |
| Financial liabilities | 2,859 | 0 | 0 |
| Other debts | 0 | 81 | 81 |
| **Total non-current liabilities** | **14,414** | **12,475** | **12,334** |
| **Current liabilities** | | | |
| Trade payables | 5,535 | 6,594 | 6,594 |
| Payables to staff and social security organisations | 9,122 | 8,330 | 8,330 |
| Current tax | 5,846 | 1,998 | 1,998 |
| Other tax payables | 1,256 | 5,564 | 5,564 |
| Other payables | 15,939 | 12,097 | 12,097 |
| Short term financial payables | 204 | 200 | 200 |
| **Total current liabilities** | **37,902** | **34,783** | **34,783** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **558,096** | **632,317** | **631,730** |

(*) Data at 31.12.2017 reclassified / restated for the application of IFRS 9 and IFRS 15

At 31 December 2018, consolidated shareholders' equity pertaining to the Group amounted to EUR 466.5 million, compared to EUR 489.9 million at 1 January 2018 (the latter incorporates the adjustment, up EUR 0.5 million, related to the application of the new accounting standard IFRS 15, in force since 1 January 2018).

The negative change in Group shareholders' equity in 2018, equal to a total of EUR -23.4 million, is mainly attributable to the distribution of the extraordinary dividend (EUR -30.5 million), due to the movement of treasury shares (EUR -3.2 million) and the result of the Statement of Performance - IAS 1 (EUR +10.9 million).

## Consolidated Net Financial Position

At 31 December 2018, the consolidated Net Financial Position was positive for EUR 148.3 million, compared to EUR 98.4 million at 31 December 2017 (the latter figure incorporates the adjustment for the distribution of the extraordinary dividend of EUR 30.5 million, carried out in May 2018).

The change recorded in 2018 from the consolidated Net Financial Position (EUR +49.9 million) substantially reflects the improvement in the Net Financial Position of the Holding Companies (EUR +38.8 million), related to the net liquidity generated by the Investment Portfolio.

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.