EQUITA GROUP

Annual Report

2018

EQUITA

The city of Milan dedicates the 2019 calendar year to Leonardo da Vinci (1452 – 1519) during the 500th anniversary of his death.

Leonardo da Vinci spent almost 18 years, from 1482 to 1499, at the Court of Ludovico Sforza "The Moor". Milan was site of his most productive years as artist and universal genius.

Equita in his annual report honours Leonardo with a selection of pictures representing his most significant artworks in Milan.

Cover page

Cucirsi insieme, 2017 - Francesca Santoro

A detail of the artwork awarded ex-aequo during the "Premio Equita per Brera" awards

Picture: the statue of Leonardo da Vinci, Piazza della Scala - Milan.

“Equita is the leading Italian independent investment bank.
For more than 45 years we have helped domestic and foreign institutional investors in their investment decisions.
We support corporates and financial institutions with innovative solutions and high-quality advisory to find investors and support their growth”

Corporate Governance

Board of Directors

Francesco Perilli	Chairman
Andrea Vismara	Chief Executive Officer
Thierry Porté	Vice Chairman (Independent)
Stefano Lustig	Board Member (Executive)
Sara Biglieri	Board Member (Non-executive)
Michela Zeme	Board Member (Independent)
Massimo Ferrari	Board Member (Independent)

Board of Statutory Auditors

Franco Fondi	Chairman
Laura Acquadro	Effective Statutory Auditor
Paolo Redaelli	Effective Statutory Auditor
Andrea Polizzi	Alternate Statutory Auditor
Filippo Annunziata	Alternate Statutory Auditor

Audit Firm

KPMG S.p.A.

Financial Reporting Manager

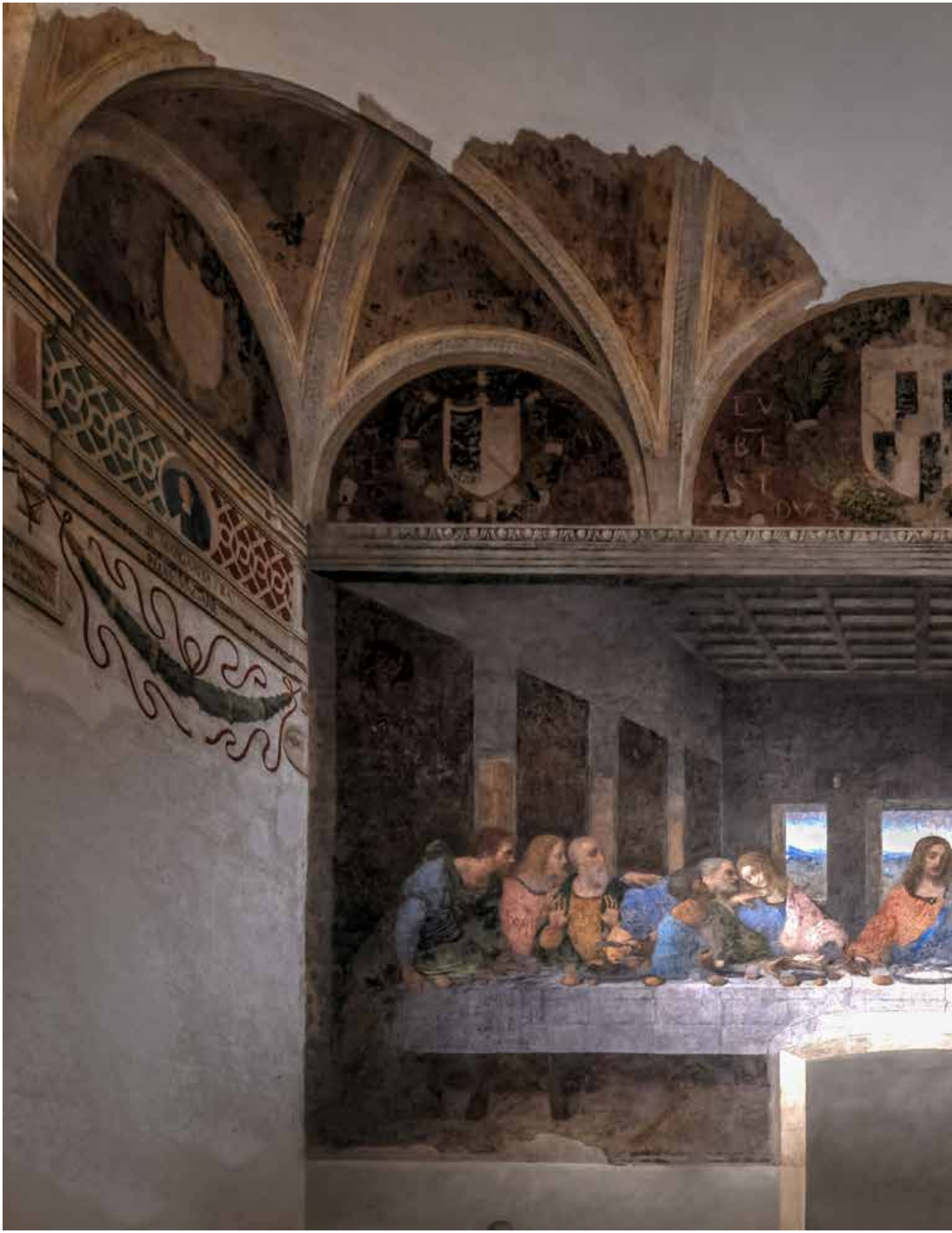
Stefania Milanesi

Corporate Information

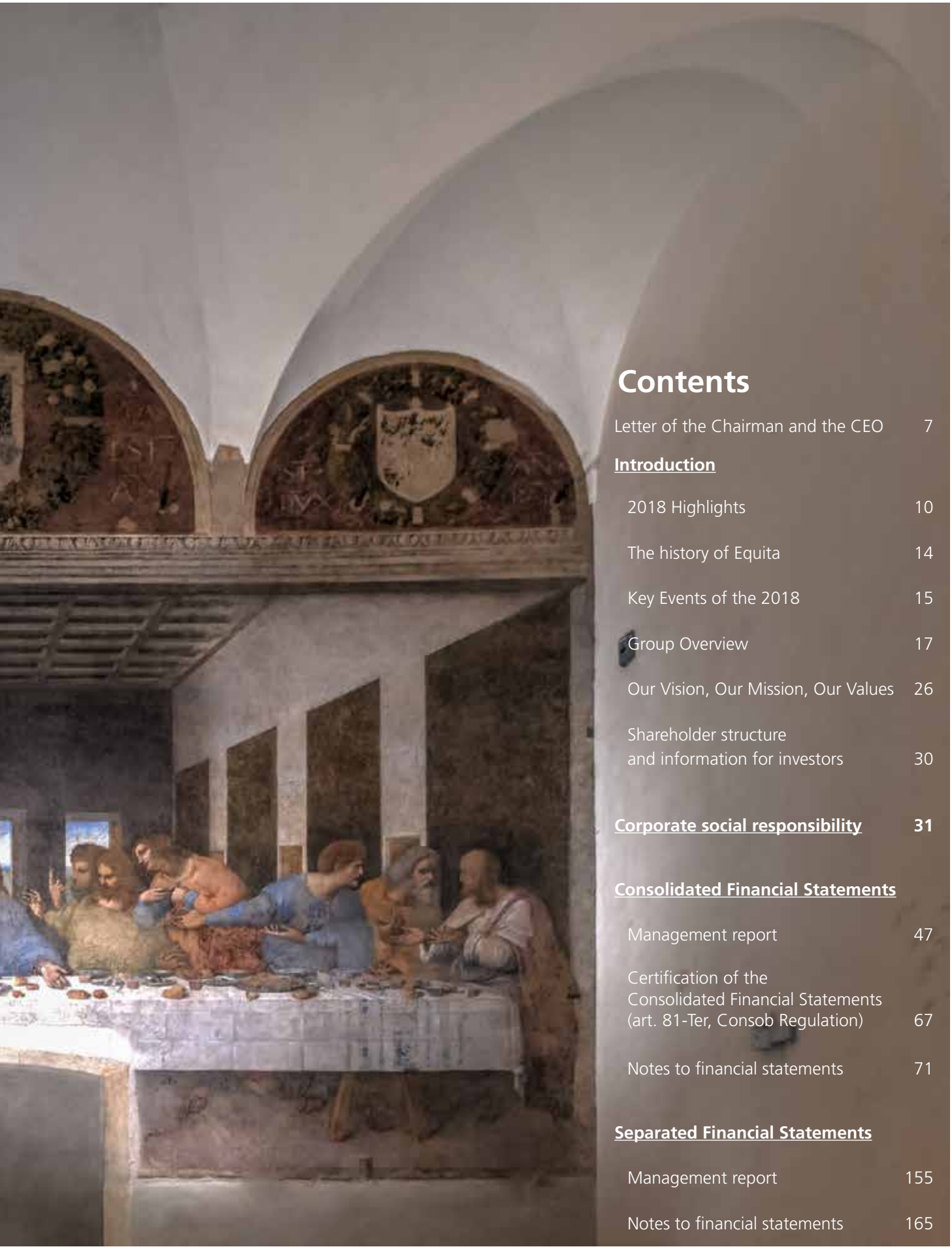
Registered Office:	Via Turati 9 - 20121 Milan
Tax ID and VAT Code:	09204170964
Identification No.:	20070.9
Share Capital, fully paid-up:	€11,376,344.50
Milan Corporate Registry No.:	2075478
Listing Market:	MTA Borsa Italiana S.p.A. - STAR segment
Ticker Symbol:	BIT: EQUI

Equita Group S.p.A.

Telephone:	+39 (02) 6204.1
Email address:	info@equita.eu
Corporate Website:	www.equita.eu



Picture: "L'ultima Cena" – Refectory, Santa Maria delle Grazie - Milan (Leonardo da Vinci, 1495)



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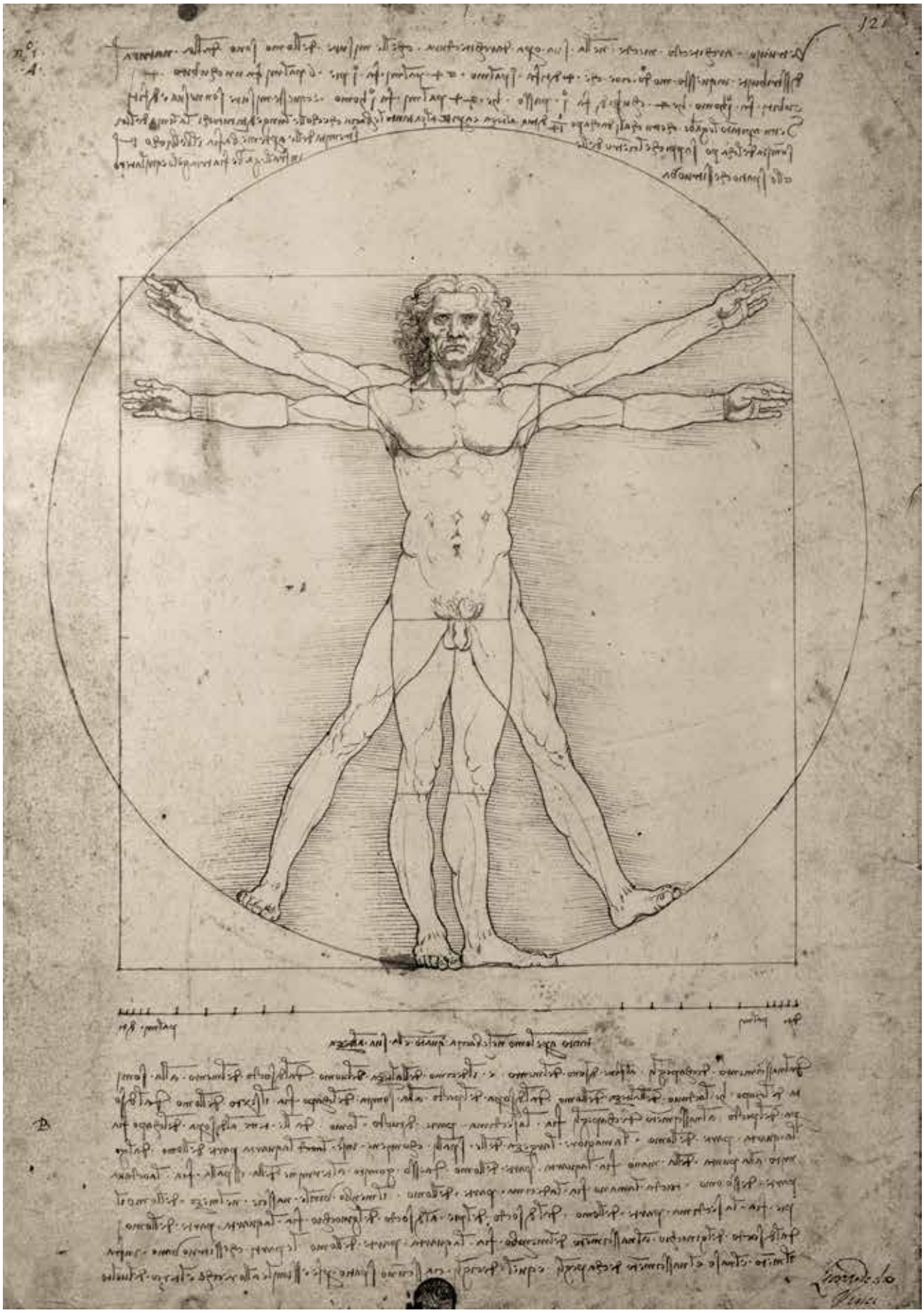


Picture: "L'Uomo Vitruviano" (Leonardo da Vinci, 1490).

Famous representation of the ideal proportion of the human body

Letter of the Chairman and the CEO

Dear Shareholders,

2018 was a year of confirmations and change for Equita. Despite the challenging market backdrop, we enjoyed significant growth in terms of both revenues and number of professionals. We successfully executed an acquisition in the Global Markets division and completed the transition to the STAR segment of the Italian Stock Exchange. We also invested in a number of initiatives, laying the foundations for the Equita's future growth.

Our Global Markets division managed to curtail the impacts of a market marred by falling trading volumes, which were partly due to the introduction of MiFID II. Thanks to our efforts to diversify the services we offer our clients, Equita was able to gain market share in the brokerage of equities, bonds and derivatives. In May 2018, we completed the acquisition and subsequent integration of Nexi's brokerage and market making activities, with which we further expanded our range of services.

Our Investment Banking division once again was confirmed as a significant growth driver, further consolidating its position and acting as reference for companies and financial institutions, partly thanks to the arrival of new professionals in the first half of the year, helping to strengthen the division, adding new expertise and paving the way for further growth in the coming years. Our various teams played key roles in 12 capital market transactions - 8 equity capital market and 4 debt capital market transactions - raising over 1.6 billion euros for clients. They also took part in a number of M&A deals, positioning the firm as one of the top advisors in Italy by number of deals.

Our Alternative Asset Management team helped to increase revenues thanks to various initiatives, reaching a total of 1 billion euros of assets under management during the year. Our portfolio management team signed a long-term agreement with Blueglen Investment Partners for the distribution of funds with a European credit focus in Italy and Europe and significantly increased AuM thanks to the agreement with Credem Group to manage the flexible fund "Euromobiliare Equity Mid Small Caps". Our private debt team intensified the investments of the Equita Private Debt fund with 5 transactions completed during the year, the percentage invested by the fund thereby hitting the 80% mark (now above 90% thanks to an additional investment closed in March 2019). Our SPAC completed its first business combination in May 2018 and is currently looking for opportunities for a second transaction.

Our Research team continued to cover a large number of both Italian and European companies and welcomed new analysts onboard; indeed, we believe it is essential to offer wide coverage of the Italian market, especially mid and small cap issuers, in combination with European stock coverage.

We invested heavily during the year, to both complete and optimise our Group structure as well as fund new initiatives. These initiatives began to generate revenues only later in the year and will act as a growth driver in the medium term. One example is our project in Fixed Income with which we continued to expand in the debt market, creating an integrated structure within the Group, adding new professionals dedicated to relations with institutional investors and research on bonds.

We also invested to strengthen the Equita brand through a number of partnerships with primary institutions. We continued our partnership with Bocconi University – for the sixth year in a row – to encourage debate on structural factors and potential solutions for the growth of the Italian capital markets. We also formed a partnership with the Brera Fine Arts Academy to support young talented students and promote education and research in the art field.

2018 was also the year we made our transition to the STAR segment of the Italian Stock Exchange: less than one year after our début on the AIM Italia, we listed on the regulated market, thus also increasing our international visibility. We believe this will help us to further expand our business.

We are committed to environmental, social and governance (ESG) issues and have incorporated these aspects into our new remuneration policy. We paid closer attention to social matters, including the welfare of our employees, adopting a new and innovative corporate welfare plan. We aim to continue to make a positive impact: we believe in the social purpose of our Group, promoting capital markets, supporting companies and investors, and creating value for all stakeholders - clients, employees, and shareholders alike.

We are proud to be one of the few European investment banks to have grown despite the challenging market backdrop, thus allowing us to look to the future with confidence. We have set a number of targets for this year and have already started working towards some of them: one example is our asset management company (SGR), via which we plan to optimise our Alternative Asset Management activities and widen the scope of our services in the segment of alternative funds, including the launch of a second private debt fund. We also formed a partnership with Altis - Università Cattolica to bridge the gap in terms of sustainability disclosure and SMEs, helping investors make informed decisions on investment opportunities based on environmental, social and governance (ESG) factors.

The market has started 2019 with lower volumes in terms of brokerage and investment banking transactions compared to last year: the slowdown in global growth, Brexit and the political and economic situation in Italy are some of the risk factors that may impact market trends during the year. Against this backdrop, Equita continues to be a unique player on the Italian scenario: we have strengthened our position with initiatives aimed at underpinning growth over the coming years and this will enable us to benefit even in a market scenario such as the current one, which is both challenging and undergoing consolidation.

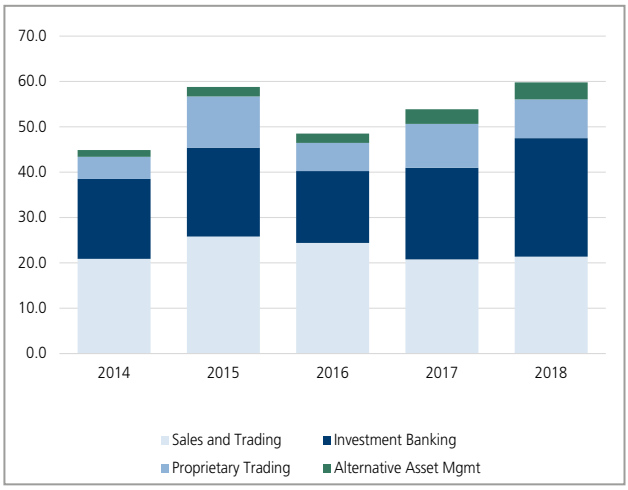
Francesco Perilli
Chairman

Andrea Vismara
Chief Executive Officer

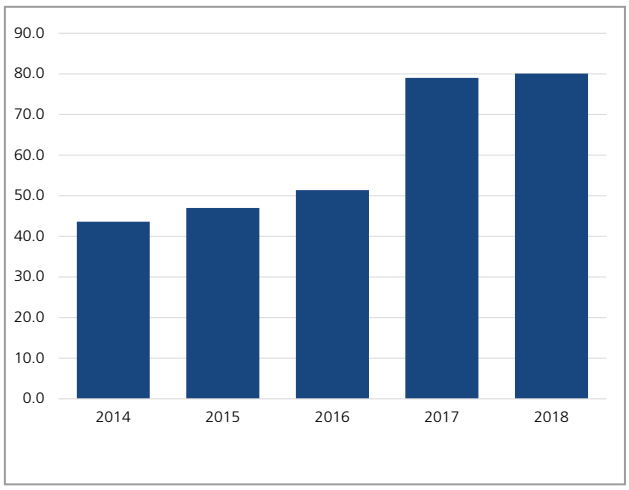
Picture: "Porte Vinciane" lock gates (1496-1498) on the Conca dell'Incoronata.

2018 Highlights

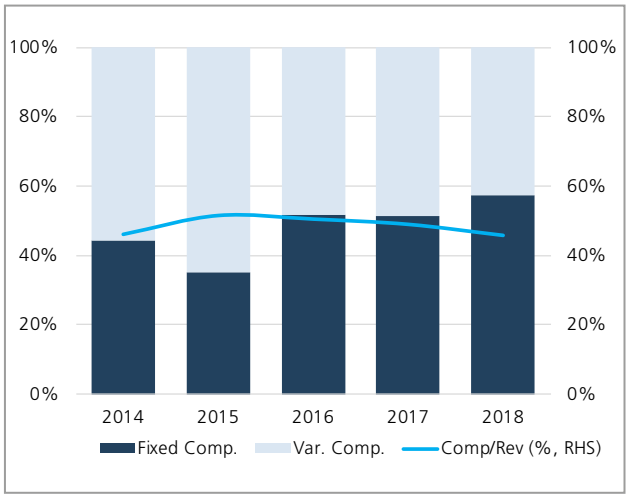
NET REVENUES (€ mn)*



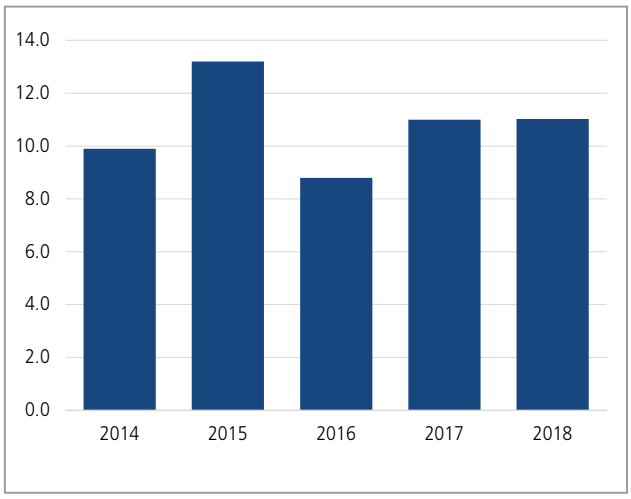
NET SHAREHOLDERS'EQUITY (€ mn)*



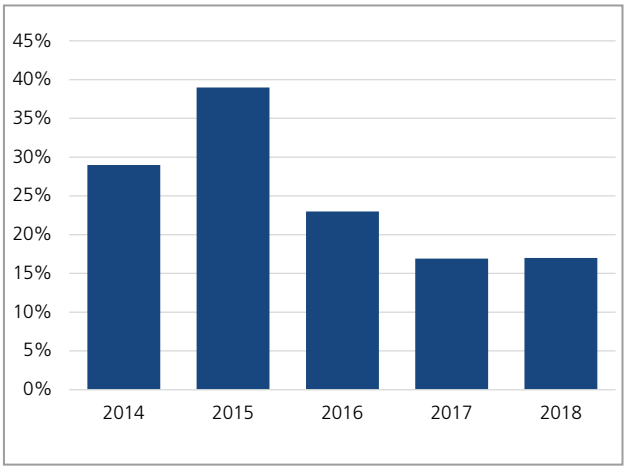
BREAKDOWN OF PERSONNEL COSTS*



NET PROFIT (€ mn)*



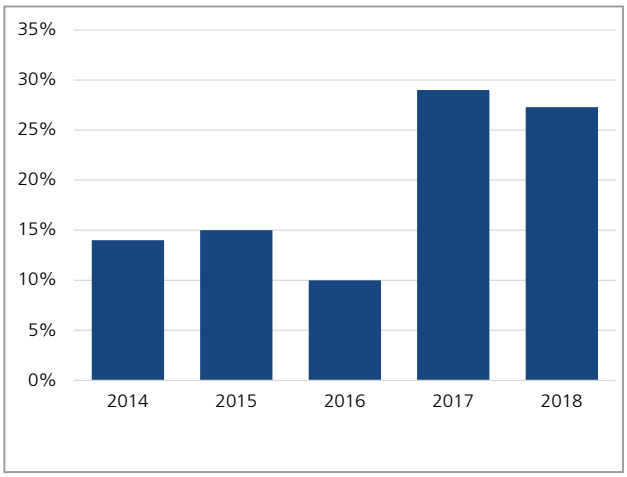
RETURN ON TANGIBLE EQUITY - ROTE (%)*



ROTE 2017 calculated including the IPO proceeds in the tangible equity (€22.1 mn raised in November 2017)

** 2014 and 2015 figures referred to Equita SIM*

TOTAL CAPITAL RATIO - TCR (%)*



Total Capital Ratio 2016 includes minorities

€ 1.6 bn

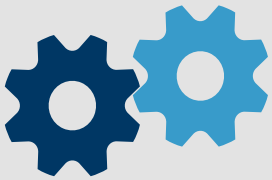
capital raised for our clients
(Equity and Debt Capital Markets)

€ 10.7 mn

co-investments
in new business initiatives

€ 1.0 bn

assets under
management[a]



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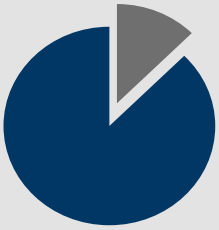
private equity and private debt
investments

6.6%

market share of brokered volumes
for third-parties on equities*



4.2%

market share of brokered volumes
for third-parties on bonds*

140

number of professionals

0.22

dividend per share

[a] *including € 150 mn of the Special Purpose Acquisition Vehicle (SPAC)*

** Source: ASSOSIM; figures on equities referred to MTA Italian market; figures on bonds referred to DomesticMOT, EuroMOT and ExtraMOT*

Picture: No title, 2018 - Elena Diana Lupu

Artwork awarded ex-aequo during the "Premio Equita per Brera" awards

Highlights 2018 - Business Lines and Operations

Global Markets

% Net Revenues 2018

Sales & Trading

36%

- Leading independent player on the Italian market with market share of 6.6% in the brokerage of third parties volumes on equities and 4.2% on bonds
- More than 400 institutional clients
- More than 80 interconnected banks with a network of 5,000 branches (Retail Hub)
- #2 best broker in Italy in "Trading Execution" and "Equity Sales"
- More than 200 roadshows in Italy and 200 abroad in the last 3 years

Proprietary Trading

14%

- Ongoing diversification of risky activities (41%) with client-based services (59%), thanks to the consolidation of the market making activities
- Full range of services (risk arbitrage, special situations, specialist, etc), including the market making activities on derivatives and bonds
- More than 300 specialist contracts

Investment Banking

44%

- €1.6 billion raised on capital markets for our clients (€1.2 billion with IPOs, capital raise, ABB and RABB; €0.5 billion of bond issues)
- Global coordinator and Bookrunner in 11 transactions
- Leading independent player on the Italian capital markets
- Among the Top M&A Advisors in Italy for number of transactions in the last 5 years

Alternative Asset Management

6%

- More than €1 billion of assets under management, of which: c. €300 million of discretionary accounts on equities, c. €400 million managed via a flexible fund with a focus on small-mid caps, €100 million from the closed-end Equita Private Debt Fund, and €150 million from the SPAC; Equita also placed the €50 million credit fund "Blueglen Equita Total Return"
- €56 million invested by the Equita Private Debt fund over the year in 5 different transactions, for a total invested amount of €83 million since the closing of the fund in 2017
- First business combination of the Equita SPAC with the acquisition of 100% of Industrie Chimiche Forestali for €69 million and still €73 million to be invested in a new target

Research Team

- 15 analysts with a high degree of seniority (more than 15 years of experience)
- 163 companies under coverage, of which 120 Italian and 43 foreign
- 96% of the total Italian market cap covered by the team
- 8 thematic conferences organized during the year
- Awarded as #1 "Best Italian Research Team" and #2 "Best Country Analysis" in international rankings

Governance e Operations

- More than 10 professionals in the control functions, legal and corporate affairs department and investor relations
- More than 30 professionals in the back-office, IT and human resources departments, supporting all the business lines of the group

The history of Equita

LONG TRADITION

1973

Euromobiliare is incorporated and becomes one of the first private merchant banks in Italy

1981

Euromobiliare is listed on the **Italian Stock Exchange**

PARTNERSHIP WITH COMMERCIAL BANKS

1988

Midland Bank Plc acquires control of Euromobiliare

1991

Euromobiliare SIM is incorporated, following the entry into force of the Italian Law 1/1991

1994

Credito Emiliano acquires control of Euromobiliare and completes a **reverse merger** and its **listing**

PARTNERSHIP WITH A FINANCIAL INVESTOR

2007

The private equity fund **J.C. Flowers & Co**., with the support of Mid Industry Capital and the management team of Euromobiliare, **acquires control of Euromobiliare SIM**

2008

Euromobiliare SIM becomes **EQUITA SIM**

ESTABLISHMENT OF EQUITA GROUP

2015

The **Management of Equita SIM** and Alessandro Profumo acquire a majority stake of 50.5% from J.C. Flowers & Co.

2017

Reorganisation of the control and corporate governance structure begins with the incorporation of **Equita Group**, a holding company that holds 100% of Equita SIM, and the acquisition of the majority of Alessandro Profumo's stake

Equita Group is admitted to trading on AIM Italia on **21 November 2017** and starts trading on **23 November 2017**

M&A AND LISTING ON THE ITALIAN STOCK EXCHANGE – STAR SEGMENT

2018

The subsidiary Equita SIM completes the **acquisition of the business unit** of **Brokerage & Primary Markets and Market Making** activities of Nexi

Equita Group starts the process of listing on the Italian Equities Market (MTA) and asks the status of STAR listed company. Equita Group admitted to listing on **19 October 2018**, with first trading day on **23 October 2018.** As of 31 December 2018 the management owns 54.3% of the share capital, 36.6% is free float and the balance is represented by treasury shares

Key events of 2018

FEBRUARY

6 Equita voted best "Team Based Leader: Western Countries" by Institutional Investor, confirmed as no. **1 broker for its research on the Italian market** and no. 2 on the Extel ranking in the categories of "Best Country Analysis", "Best Broker in Italy – Trading Execution" and "Best Broker in Italy – Equity Sales"

14 Equita continued for the fifth year in a row its **partnership with the Bocconi University** to encourage debate on structural factors and potential solutions for the growth of capital markets in Italy. During the event BAFFI CAREFIN - centre for applied research – presented its study "Why do Italian companies go public? An empirical analysis of the period 2006-2016" and Equita awarded the best strategies on capital markets and presented its third monitor on Italian capital markets

MARCH

21 Equita signed a **binding agreement** with Nexi to acquire the Brokerage and Primary Markets business unit and Market Making activities

MAY

14 Closing of the first **business combination** between EPS Equita PEP SPAC and Industrie Chimiche Forestali, a leading Italian producer of fabrics used to make toecaps and counters and adhesives for the footwear, automotive, packaging and upholstery sectors

31 **Closing of the acquisition of Nexi's Brokerage and Primary Markets business unit** (renamed Retail Hub) and Market Making activities

JUNE

18 **Partnership agreement signed with Brera Fine Arts Academy** to create value through an initiative that rewards young talented students and promotes education and research in one of the most important cultural and artistic locations of Milan

JULY

6 Launch of a **long-term partnership with Blueglen Investment Partners**, a multi-strategy alternative asset manager that invests in European credit. "G10 Blueglen Equita Total Return UCITS Fund" is the first product promoted together

OCTOBER

23 **First trading day on the Italian Stock Exchange**. Just one year after its debut on the AIM Italia, Equita Group is listed on the **STAR segment** of Borsa Italiana

NOVEMBER

21 Launch of the **"Fixed Income" project** to increase cross-selling opportunities between Equita's business lines and consolidate its position in the debt market, also thanks to the recruitment of new professionals dedicated to fixed income initiatives

30 **Partnership with Credem Group** was strengthened following the end of the subscription period for "Euromobiliare Equity Mid Small Cap", a fund launched by Euromobiliare Asset Management SGR and managed by Equita SIM, which raised almost € 400 million

Picture: No title, 2017 - Shiro Teramoto

Artwork awarded ex-aequo during the "Premio Equita per Brera" awards

Group Overview

Independence

Equita is an independent group, built and managed by its partners and professionals. We are committed, entrepreneurial and open to an ever-changing world.

Clear and diversified business model

The Equita business model is unique and difficult to replicate. It combines independent advisory services with a deep knowledge of and access to capital markets. Our business model is clear, focused and centred around different business lines:

- **Sales and Trading,** offering brokerage services on equities, bonds, derivatives and ETFs on behalf of Italian and international institutional clients, complemented by the Retail Hub which engages in equity and bond brokerage for retail clients of banking groups.
- **Proprietary Trading**, offering client-driven solutions (e.g. proprietary trading for clients, specialist activities, etc.) and market making, as well as directional trading based on proprietary trading strategies to exploit market trends.
- **Investment Banking**, offering a top standing platform with high-profile advisory services dedicated to extraordinary finance transactions, M&A, placements on equity and debt capital markets, addressed to both industrial companies and financial institutions.
- **Alternative Asset Management**, offering management of third-party equity portfolios and alternative funds, as well as innovative products such as private debt and SPACs.

All business lines are constantly supported by the Research Team of Equita which is highly regarded by prominent Italian and international institutional investors and has long been considered one of the best teams in Italy.

Sound financial performance

Equita strives to achieve a solid financial performance leveraging on its diversified business model, disciplined and flexible cost structure, and capital-light activities. This allows us to generate a steady flow of returns for shareholders.

Leadership in small-mid caps

Equita is the partner of choice for many best-in-class Italian small and mid cap companies. We aim to provide our clients with a wide range of services whilst guaranteeing access to high-quality debt and equity instruments.

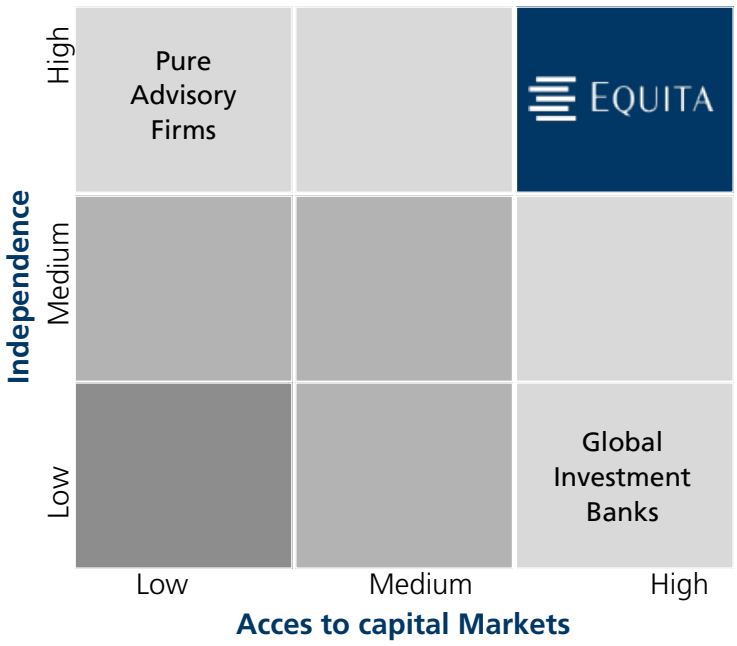
Socially responsible

People are our greatest asset. It is with their dedication and determination that Equita is able to best serve clients. Equita invests in training young professionals, both in-house and externally, by selecting specific programmes: in 2013, Equita established a partnership with Bocconi University to advance and promote knowledge of capital markets and analyse new developments and market trends. What's more, we promote artwork of emerging artists through our EQUITArte initiative and in 2018 we formed a partnership with Brera Fine Arts Academy to endorse the work of talented young artists and promote education and research in arts' culture. We value our community with a "give-back" approach and in the past two years we donated approximately € 270,000 to over 10 charitable organisations.

Business Model

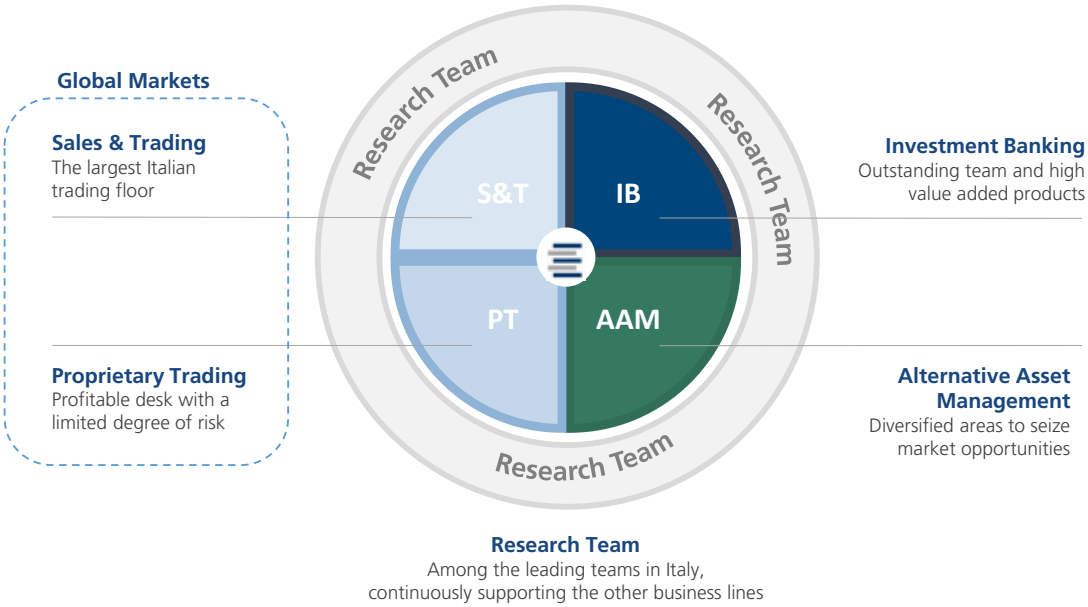
Positioning

Our business model combines a high-degree of independence with a wide knowledge of and access to the Italian capital markets, both equity and debt, differentiating from large advisory groups or international investment banks.



Business activities

The Group operates primarily via its subsidiary Equita SIM, fully owned by Equita Group. The activites are broadly divided into business lines (Sales & Trading and Proprietary Trading – which represent the Global Markets area – Investment Banking and Alternative Asset Management) and are continuously supported by an outstanding Research Team.



Global Markets

The **Global Markets** area combines the **Sales & Trading** and the **Proprietary trading** activities conducted by our trading floor.

The **Sales & Trading Team** is the independent broker of choice on the Italian market and is in constant touch with top Italian and international institutional investors. Equita boasts the **largest independent sales team in Italy**, composed of highly experienced professionals who manage long-lasting relations with over 400 institutional clients and more than 80 banking clients with a network of roughly 5,000 branches.

Market Share 2018

7% *third-parties brokered volumes on Equities on MTA*

4% *third-parties brokered volumes on Bonds*

5% *third-parties brokered volumes on Equity Options*

The **Proprietary Trading** team executes proprietary trading and brokerage transactions, offering a full range of services whilst maintaining a risk level that is in line with a prudent capital management strategy.

Institutional clients

We offer brokerage services to our clients, specialising in the sale and trading of equities, bonds, derivatives and exchange traded funds (ETF). We also promote our research content, which provides detailed analyses of the companies listed on the Italian and European markets and offer placement services for transactions promoted by Equita's Investment Banking team.

#1

The largest independent salesforce in Italy

Among the best brokers

at the top of international rankings

The Sales & Trading team also guarantees best execution and timely transaction settlement thanks to a well-experienced back office team.
Our Sales & Trading team is also recognised as one of the leading teams within the Italian framework by the most prestigious Italian and international institutional investors.

Retail Hub

In 2018, the team broadened its scope of business by adding a unit acquired from Nexi (renamed Retail Hub) to its well-established stock brokerage service for institutional clients.
Today the Retail Hub is the reference partner of Italian regional banks for brokerage services on behalf of bank's clients and for branded bond listings on markets and MTFs. In addition to other support services, the Retail Hub's distribution model guarantees best execution for its clients.

Client-driven e Market Making

Client-driven and Market Making are proprietary trading activities where the trades are posted on our books, some of which are immediately sold to clients. Client-driven trades do not typically entail risk. More specifically, Client-driven transactions are client orders executed over the counter and where Equita's book balance is generally zero at the end of the business day; Market Making instead is where Equita undertakes to provide liquidity in the market for bid-ask or bid only. Generally, the Client-driven and Market Making area includes the following activities:

- **Specialist** - acting as Specialist on behalf of clients and on own accounts in bonds traded on the MOT, EUROTLX, HI-MTF, certificates traded on SeDeX and EUROTLX, stocks traded on the MTA and AIM Italia indexes, with the aim of raising liquidity in line with the parameters set by the exchange and in compliance with regulatory provisions;
- **Brokerage** – proprietary trading services involving client orders for debt instruments not traded on regulated markets, ETFs and stocks;
- **Market maker** – market making activities on stocks listed on the FTSE MIB index and bonds; the team displays buy and sell quotes in order to inject liquidity within the parameters set by the exchange and in compliance with the relevant regulatory provisions.

Fixed Income

Within the Global Markets area, Equita offers brokerage services on debt securities (fixed income). Equita covers the entire value chain, from primary market to secondary market and market making.
Equita acts as a primary partner for bond placement and brokerage services, providing some banks with essential liquidity services: for instance, using its proprietary books, Equita quotes around 400 high liquidity bonds and 200 branded bonds addressed to retail clients on Italian and international markets.

Directional Trading

Directional Trading is all trading that Equita carries out on its own account using proprietary strategies and that typically include a degree of risk. Nevertheless, this risk is monitored constantly by the team. In general, Directional trading includes activities such as:

- **"Pure" directional trading** – trading in stocks, derivatives, bonds and ETFs using investment strategies based on fundamental analysis, technical analysis and/or news on corporate issuers and/or market-sensitive news;
- **Risk arbitrage & special situations** – valuations (using special algorithms) of investment opportunities based on "relative value" strategies as well as investment opportunities arising from corporate actions and/or other extraordinary corporate transactions or events such as capital increases and public tender offers and/or exchange offers;
- **Volatility trading** – market making in options on stocks listed on the FTSE MIB index; the team displays buy and sell quotes on stocks to inject liquidity within the parameters set by the exchange and in compliance with current regulatory provisions.

Investment Banking

€ 1.6 bn

capital raised for clients

Equita is one of the leading independent investment banks by number of transactions in Italy. Its team of highly qualified professionals, with proven experience and wide-ranging know-how, offers a full range of services to corporates, institutional clients and investors.

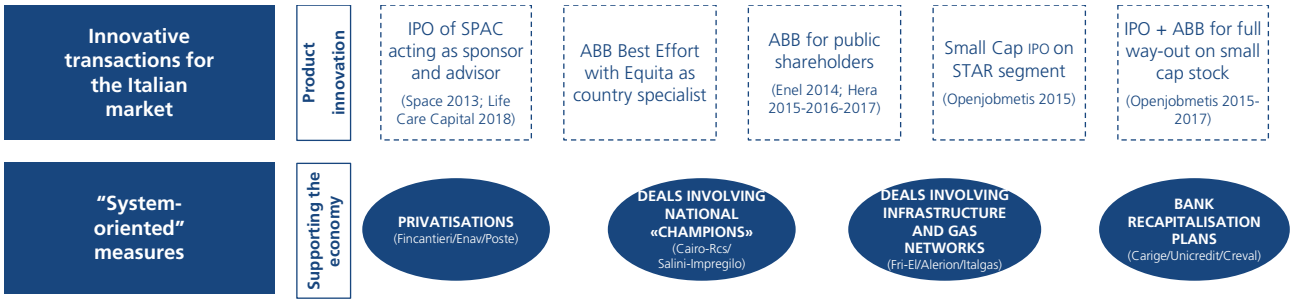
The independence - due to the absence of corporate lending positions and major shareholdings - combined with the leadership position in capital markets and the highly experienced Research Team, allows Equita to assist clients in any sector and in any financial transaction involving listed and private companies and financial institutions.

Equita has continued to expand its range of services in recent years, partly by recruiting a number of senior professionals dedicated to new products, whilst also improving its positioning on the market.

Equita's has four main business areas, which coordinate and generate synergies with each other: Equity Capital Market, Debt Capital Markets and Debt Advisory, M&A Advisory, Corporate broking.

Equity Capital Markets

The Equity Capital Markets team offers a whole range of services to raise equity capital by leveraging the distribution capacity and long-term relations Equita has built up with institutional investors over the years. In the last few years, Equita's well-established leadership in mid-corporate transactions has been accompanied by growing involvement in system-oriented measures to support also large-corporates and economic development in Italy.



Debt Capital Markets and Debt Advisory

The Debt Capital Markets and Debt Advisory teams offer corporate issuers and financial institutions expert and independent advice on defining, structuring and raising debt capital most suited to their specific needs, using both the banking channel and capital markets.

The team is dedicated to raising debt capital through corporate bond placements, leverage buyouts and merger & acquisition financing. In addition to raising debt capital, the team offers debt advisory and restructuring services focused on assisting clients with refinancing, special situations, restructuring and distressed M&A transactions.

M&A Advisory

M&A Advisor

among top advisors in terms of # of transactions in the last 5 years

In recent years Equita has established itself as one the top M&A advisors in Italy by number and value of transactions. It has expanded its team and recruited highly experienced professionals dedicated to both corporate clients and financial institutions.

A deep knowledge of the stock markets has enabled Equita to become the advisor of choice for top listed Italian companies in M&A deals and to consolidate its absolute leadership position in proxy fight situations. Equita is also strategically focused on offering advisory services to mid-sized Italian companies to assist with value creation strategies, and to mid-sized Italian financial institutions in mergers and corporate restructuring. Equita is dedicating an increasing amount of resources to these areas. The M&A team is also gradually establishing itself in the business of advisory services for top Italian and international private equity funds in both buy-side and sell-side transactions involving Italian companies.

Corporate Broking

Corporate broking activities has continued to grow in the last years, with a significant increase in the number of contracts. Equita helps listed issuers to identify existing and potential investors with the aim of improving their visibility on the market and, consequently, the liquidity of stocks. It also acts as a Specialist.
Corporate broking and specialist contracts generally have a duration of three-years, allowing for a stable and lasting relationship with issuers. We are at the full disposal of the management teams and Boards of Directors of listed companies. Our team closely monitors any potential conflicts of interest and adopts the appropriate internal measures. It organises meetings with the financial community and with other areas of the Investment Banking team to provide support for valuation and execution of corporate transactions.

Alternative Asset Management

€1bn

of assets managed in 2018

The Alternative Asset Management team manages assets of third parties and invests in new initiatives aimed at exploiting growth opportunities within the sector. Thanks to our vast experience in the asset management sector and to our innovative private debt and private equity products, we are seen as a key partner for any future opportunity.
The team is composed of experts who have gained long-standing experience at successful institutions and is supported by other business lines such as the Research Team and the Investment Banking, which boast sound track records and in-depth knowledge of capital markets.
The Alternative Asset Management is split into three business areas (Portfolio Management, Private Debt and Private Equity) and distributes also third-party products.

Portfolio Management

The Portfolio Management team has been managing discretionary accounts since 2003. Equita has a well-established relationship with Credem Group and has also worked with institutions such as Banca Esperia and Banca Generali over the years.
Equita currently manages three discretionary accounts for Credem Group and a flexible fund launched by Euromobiliare Asset Management SGR, which is also part of Credem Group.
Our investment philosophy is based on concentrated portfolios, making strong bets on individual stocks and sectors backed by fundamental analyses and ongoing dialogue with the Research Team as well as regular meetings with the management teams of companies in the portfolio.
Our valuation approach places great emphasis on downside risk in worst case scenarios.

It is worth mentioning that the "Euromobiliare Equity Mid Small Cap" flexible fund raised around € 400 million in November 2018, which was a particularly tough period for the financial markets.
The fund is managed using a "flexible" strategy that focuses primarily on equities of Italian issuers, particularly mid-small caps, as well as those of European issuers. The fund is now closed to new investors, has a lifespan of 7 years and aims to generate returns on invested capital within this timeframe by exploiting Equita's asset management expertise.

Private Debt

TEAM OF THE YEAR 2018

The Private Debt team manages the Equita Private Debt Fund, a closed-end private debt fund of € 100 million that invests in senior, unitranche, and junior bonds, in addition to minority stakes in equity of small and medium-sized Italian companies.

Equita was one of the first firms in Italy to launch a private debt fund, an opportunity created by a number of regulatory changes designed to facilitate access to credit for small and medium-sized Italian companies through financing channels complementary to the banking sector.

Equita Private Debt Fund invests in profitable, export-focused companies with excellent market positionings and solid gross profit margin levels.

The fund is managed by a team of professionals with twenty years' experience in the credit and private equity industries at primary Italian and foreign institutions, including both members of Equita's top management team and other leading professionals from the Italian financial community.

On the back of the results achieved in recent years, in November 2018 Equita's private debt team was named **"Private Debt Team of the year"** at the 2018 Financecommunity Awards, voted one of the most well-structured and organised teams in the sector.

Private Equity

The Private Equity business grew in 2017 following the launch of EPS Equita PEP SPAC, a special purpose acquisition vehicle, promoted by the joint venture initiative of Equita and Private Equity Partners, with the aim of making available their unique skills and experience on the Italian market to investors and target companies.

After allocating shares to institutional investors totalling € 150 million, EPS Equita PEP SPAC ordinary shares were admitted to trading on the AIM Italia in 2017 and in January 2018 the SPAC announced its first business combination with Industrie Chimiche Forestali (ICF), a leading Italian producer of fabrics used to make toecaps and counters and adhesives for the footwear, leather goods, automotive and packaging sectors.

The business combination was completed in May 2018 for approximately € 69 million. ICF was subsequently admitted to trading on the AIM Italia market, following the partial and proportional demerger of EPS Equita PEP SPAC, thus creating EPS Equita PEP SPAC 2.

The second SPAC has around € 73 million of residual capital, is listed on the AIM Italia and is looking for a target to complete another business combination.

Third-party fund distribution

The Alternative Asset Management team expanded its range of products in 2018 after signing an agreement in July 2018 with Blueglen Investment Partners, a multi-strategy alternative asset manager focused on the European credit market.
Equita is the exclusive distributor for Italy of "G10 Blueglen Equita Total Return Credit UCITS Fund" (or "BETR"). The fund invests in junior tranches of collateralised loan obligations (CLOs), junior bond issues and credit default swaps of the main European industrial and financial issuers. The fund maintains a moderate leverage strategy. The targeted annual return (net of fees) is 5-6% in Euro and the fund offers four classes of shares (EUR, USD, GBP and CHF).

Research Team

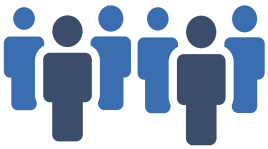
The Research Team of Equita has long been considered one of the best in Italy and stands out on the market for the breadth and quality of its research and its specific focus on small and mid-cap companies. At the end of 2018, the Research Team provided detailed coverage of 123 Italian companies (of which 83 listed out of FTSE MIB), equal to 96% of the total capitalisation of the Italian market.

Unlike the big global brokers, which focus their research on large cap companies, Equita is a key partner for investors seeking to invest in mid and small cap companies, especially in Italy.

The Research Team analysts also cover stocks listed on international stock exchanges. The stocks are selected based on investment themes that are deemed to be most appealing to investors or their pertinence to the sectors of our Italian stock coverage.
We convey our investment ideas to investors through a variety of products, ranging from reports on company results or key corporate events, daily updates sent to clients before market open (Good Morning Equity Notes), weekly and monthly studies summarising the main trends on the Italian and international stock markets (Weekly and Monthly Reports), and sector reports or studies focused on specific topical issues (sector reports or studies such as our PIR Monitor, which tracks inflows into these recently launched investment products).
Our research for both institutional and retail clients (via the banking channel) was recently extended to debt instruments in order to fully exploit our Research Team's knowledge of issuers.

Equita's Research Team tops the international rankings thanks to its quality research, voted by leading Italian and international institutional investors in the most highly accredited surveys. Equita is the only broker to have consistently been awarded first or second place for its research in the most prestigious investor surveys of leading periodicals in Italy in the last 5 years.

Governance e Operations



The Governance and Operations area, which includes control functions, corporate and legal affairs, investor relations, finance, operations, information technology and human resources departments, support all the other business areas of the Group.

Over the year the Governance and Operations area was involved in several projects that contributed positively to the development of the Group: for instance we implemented a new management control reporting system, we strengthened and evolved the IT infrastructure dedicated to the Global Markets area, and we migrated successfully the 80 banking clients we acquired with the Retail Hub into our systems.
The Group also invested in education, organizing several courses to develop soft skills (negotiations, public speaking,…) for example, in addition to the adoption of a welfare plan in line with the best practices of the industry.

The Governance and Operations area contributed significantly during the year working on the Prospectus for the transition to the STAR segment and investing significant efforts in revising the internal policies to be compliant with the new regulatory requirements. Following those achievements, the Chief Financial Officer of Equita was named by Accuracy and ANDAF "CFO of the year" among the AIM Italia listed companies during the third edition of the "CFO Awards".

CFO Awards 2018

Picture: The Equita Team

Our Vision, Our Mission, Our Values

Vision

Equita aims at keeping its role of independent partner for institutional investors looking for investment opportunities in Italy and for corporates interested in supporting their growth strategies accessing capital markets and executing extraordinary transactions.

Mission

We are committed to deliver long-term returns to all our key stakeholders by:

- Strengthening our position as leading independent Italian investment bank
- Leveraging on our relations with clients and knowledge of capital markets
- Pursuing sustainable growth and achieving further diversification with the contribution of all business areas, supported by our best-in-class Research Team
- Running well-balanced risk-return activities
- Providing return on investment in line with the best practice
- Being "the place to be" for talented professionals

Values

Independence

- Undivided loyalty toward our clients' best interests
- As a truly independent investment bank, our decisions are not affected by lending positions, corporate equity stakes, or controlling shareholders

Client Focus

- Provide the highest possible level of service by being flexible and innovative
- Increase the number of services offered to our existing clients while enlarging the client base

Manage a Sustainable Business Model

- Manage and position the company for the long-term
- Balance operational risk with financial risk to create value for our stakeholders
- Be cost and risk conscious

Nurture a Strong Entrepreneurial Culture

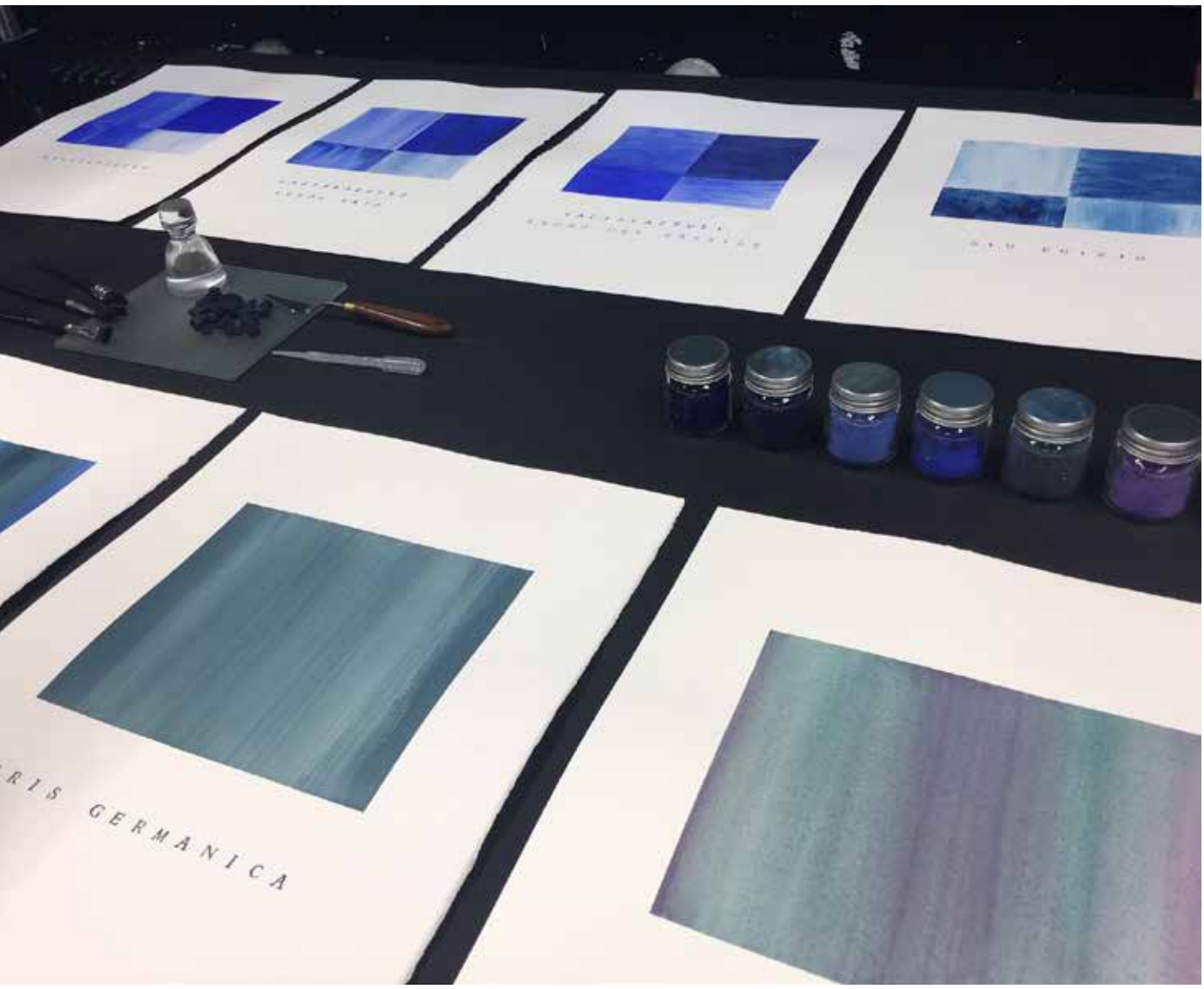
- Maintain a significant employee ownership
- Be open and curious
- Sponsor and support well-thought out initiatives

Integrity

- Maintain the highest ethical standards
- Reinforce moral strength
- Promote fair behaviours at every level of the organization

Value our People

- Develop and retain highly-performing managers and employees
- Provide a wide range of training and internal opportunities
- Focus on the quality of working environment
- Hire and promote based on merits



Picture: a student's artwork presented during the "Accademia Aperta" event

Equita [(a)] Management Team

Equita Board Members

Francesco Perilli
Chairman of Equita Group

Luigi Roth
Chairman of Equita SIM

Andrea Vismara
Chief Executive Officer of Equita Group
Chief Executive Officer of Equita SIM

Global Markets

Vincenzo Abbagnano
Co-Head of Sales & Trading

Fabio Arcari
Co-Head of Sales & Trading

Cristiano Rho
Co-Head of Sales & Trading

Investment Banking

Marco Clerici
Co-Head of Investment Banking
Head of Global Financing

Gaia Mazzalveri
Co-Head of Investment Banking
Head of Financial Institutions

Carlo Andrea Volpe
Co-Head of Investment Banking
Head of Corporate Advisory

Research Team

Luigi de Bellis
Co-Head of Research Team

Domenico Ghilotti
Co-Head of Research Team

[(a)] Includes members of the Board of Directors and managers which are reporting directly to the CEO or to the Board of Directors

Equita [a] Management Team

CFO - COO

Stefania Milanesi
Chief Financial Officer & Chief Operating Officer

Control Functions

Patrizia Pedrazzini
Head of Compliance, Risk and AML

Elisabetta D'Ardes
Internal Audit

Global Markets

Fabio Deotto
Vice-Chairman of Equita SIM

Sergio Martucci
Head of Proprietary Trading & Fixed Income

Alternative Asset Management

Matteo Ghilotti
Co-Head of Alternative Asset Management

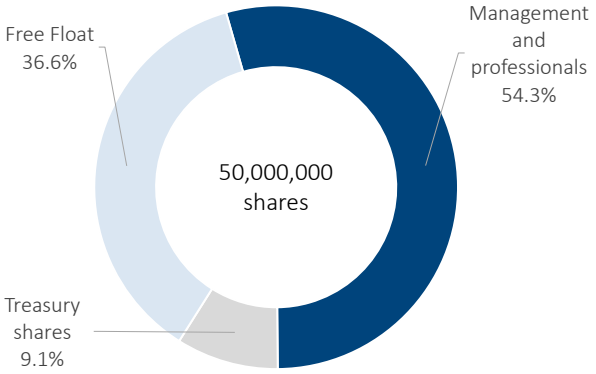
Stefano Lustig
Co-Head of Alternative Asset Management

Plus 120 Professionals

that offer
best solutions to clients

Shareholders' structure and information for investors

Share capital structure of Equita Group



Shareholders*	Number of shares
Management and professionals	27,152,364
Free Float	18,299,611
Treasury shares	4,548,025
Total	50,000,000

** at December 31, 2018*

Equita on the Stock Exchange in 2018

ISIN Code:	IT0005312027
Other ID codes	EQUI:IM / EQUI:MI
Market:	MTA - Borsa Italiana
Segment:	STAR

Indices: FTSE All-Share Capped | FTSE Italia All-Share | FTSE Italia STAR | FTSE Italia Small Cap | FTSE Italia Finanza | FTSE Italia Servizi Finanziari

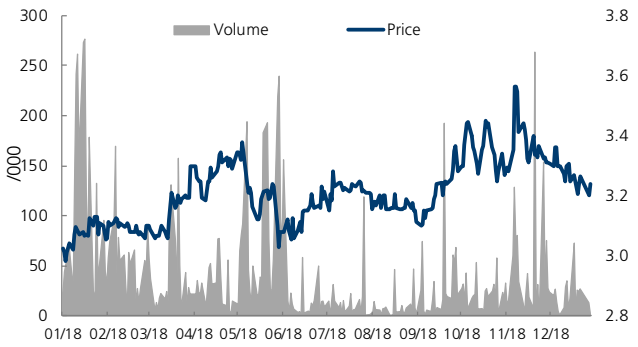
Market capitalisation as of 31 December 2017 (million/euro) [(a)]	136.8
Market capitalisation as of 31 December 2018 (million/euro)	147.3
Average price per share (euro)	3.210
Minimum price (euro)	2.982
Maximum price (euro)	3.565
Average daily volumes (number of shares)	41,270
Dividend per share (euro)	0.22
Average Dividend Yield 2018 (%)	6.9%
Total Return 2018 (%)	14.4%

14.4%
Total Shareholders Return 2018

6.9%
Dividend Yield average 2018

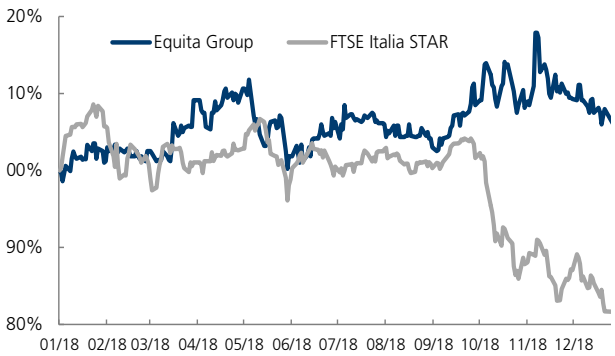
[(a)] On outstanding shares, net of treasury shares

Equita Group stock performance



Equita Group performance vs FTSE Italia STAR

(Equita Group as at 28 December 2017 = 100%)



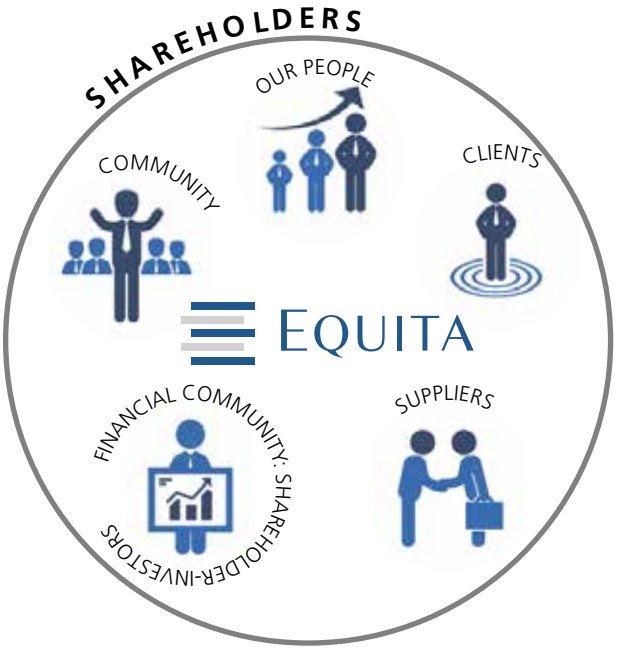
Corporate Social Responsibility

Highlights

As our name suggests, our hallmark is an ongoing commitment to equity, focus on capital markets for investors and companies and our strong ties to the Italian market. – With these principles in mind, we are dedicated to achieving the Group's key objective: "To create long-term value for our stakeholders, both financially and in terms of social welfare".

We have therefore reinforced our internal procedures to place more emphasis on sustainability, enhancing and implementing a number of measures based on ESG (Environmental, Social, Governance) criteria for the benefit of all our stakeholders

Indeed, we firmly believe that social initiatives, environmental protection and good governance are all assets that create both economic and social value and guarantee greater long-term financial sustainability.



Our people

We see our employees as the heart and mind of our company. Putting people first and working to promote their well-being and professional growth is one of the cornerstones of Equita's philosophy.

We believe that **TRAINING** is one of our ultimate tools, to ensure the professional advancement of each employee
We offer specific training programmes, both in Italy and abroad (e.g. in the United Kingdom, USA and India) in order to strengthen our employees' managerial, specialist and transversal skills.

7,335 training hours in 2018

(61.25 hours per employee)

As part of our **"Progetto Giovani"** (Youth Project), we offer:
- a training programme for our most junior staff members that uses job rotation between our various departments to enable them to gain a better understanding of how the entire "corporate machine" operates by working "in the field";
- a series of talks and in-house conferences held by our most senior managers on financial topics of specific interest and addressed to all employees (**"EQUITA Cineforum"**);
- a special, intensive executive training programme organised once again by MISB Bocconi ("Mumbai International School of Business - Bocconi") for some of our professionals in Mumbai, India.

In 2018, we also held:
- two courses at our offices in collaboration with Bocconi University lecturers;
- courses in: Management, Negotiating, Mentoring, Public Speaking, Language Education, Corporate Finance Transactions, Modelling and Bond Documentation.

Thanks to some of these initiatives, in addition to a course on Market Abuse, which Directors and Auditors were also invited to attend, we guarantee our entire staff a greater number of training hours than is required by law.

In compliance with the provisions of MIFID II legislation regarding "knowledge and competence", we offered a 30-hour training programme to all employees who provide clients with advice or information, ending in a final exam on the contents of the course. All our employees passed with flying colours.

We also organise off-site and recreational training events that help to promote team building, foster **communication** and cooperation between employees and to develop a sense of belonging throughout the group. These are all essential requirements to create a **calm and more productive work environment**.

Training Course	n. of attendees
Cineforum	94
Market Abuse	106
Bocconi	108
Negotiating	16
Management	12
Mentoring	6
Public Speaking	39
Language Training	48
Corporate Finance Masterclass (London)	2
Corporate Finance Transactions (London)	1
Modelling Course (London)	1
Bond Documentation	1
International Master's Programme (Mumbai)	4
Advanced Negotiation Issues in M&A (London)	1
Digital Transformation and Business Module (Detroit)	2

Our "**ESG Project**" was presented at our off-site training course for senior management. The aim of the project is to identify a **sustainability strategy** to be implemented from two different perspectives: Equita as an **"investor"** and Equita as an **"investment target"**.

So far, this ongoing project has been partially implemented, by both enhancing and strengthening the various ESG criteria that Equita has long adopted and, above all, by establishing a partnership with **ALTIS - Alta Scuola Impresa e Società dell'Università Cattolica** (Università Cattolica's Graduate School of Business and Society).

UNIVERSITÀ CATTOLICA del Sacro Cuore
ALTIS
ALTA SCUOLA
IMPRESA E SOCIETÀ

EQUITA and ALTIS - Alta Scuola dell'Università Cattolica: working together to define the best practices in sustainability for SMEs

Since the early 2000s and following on from a more widespread international awareness, ALTIS Università Cattolica has led the way in the study of corporate social responsibility in Italy. Over the years, it has strengthened its capabilities and undertaken new initiatives in the field of sustainability in order to promote socially responsible entrepreneurship and turn out socially responsible managers.

The partnership was formed based on the knowledge that ratings agencies mainly focus on large companies in regard to the issue of sustainability and largely ignore small and medium-sized enterprises, which are not subject to in-depth analyses partly due to the difficulties in obtaining relevant data and information.

The partnership between Equita and ALTIS Università Cattolica aims to bridge this gap by paying more attention to the environmental, social and governance (ESG) issues faced by Italian companies, especially those of small and mid-sized enterprises.

Understanding how Italian companies deal with ESG issues is crucial to assessing potential investment opportunities and better understanding the risk profile of any given company.

Through this partnership, Equita and ALTIS Università Cattolica perform targeted research and analyse the main ESG issues for Italian SMEs. The results of the analysis will help to define the recommended sustainability practices for SMEs and allow investors to better evaluate these companies from an ESG perspective. The results of this research will be made public during 2019. The initiative will combine the consolidated experience of Equita's Research Team, which has long been placed at the top of international rankings for its high-quality research, and the expertise of ALTIS Università Cattolica on the subject of sustainability, with the active involvement of a sample of small and mid-sized companies to establish a set of shared ESG criteria.

In addition to research, and in keeping with the spirit of partnership that drove the two institutions to work together, Equita will contribute to the Master's Degree in Finance: Instruments, Markets and Sustainability offered by ALTIS Università Cattolica, by providing guest speakers and hosting educational visits at our offices, thereby furthering financial knowledge and skills, with a specific focus on ethical and sustainable finance. Equita will also fund scholarships for the most deserving students.

As part of our **ESG** project, we have implemented procedures to promote **environmental protection**: adopting digital technologies and services in order to reduce paper usage (e.g. creating a digital suite that members of the Board of Directors and various committees can access to view documents; using printers with PIN codes, etc.), offering our employees the option to use their flexible benefits to purchase travel passes, installing an LED lighting system throughout the entire building, hiring a specialist company to dispose of toner – the only hazardous waste we produce.

Again, based on the notion that **our employees come first**, we have put in place a series of initiatives aimed at both guaranteeing the **well-being of our people and that of their families**.

We offer an **insurance policy to all personnel, regardless of position, and their families (spouse and children).** The policy covers both medical expenses and pay-outs for disability for employees, and life insurance benefits for next-of-kin in the event of death.

We have also introduced a "**WELFARE**" system for all our employees (office staff, middle managers and top managers) that allows them to claim for all types of healthcare expenses, including those not covered by the insurance policy (e.g. cost of medical check-ups). This system therefore allows us to protect the health of our employees, not just when any issues arise but also by preventing them.
Our Welfare system also includes refunds for the cost of education, schoolbooks, summer and winter camps, study holidays, language courses, child-minding, elderly care, gyms, holidays and trips incurred by our employees and their family members (spouse, children and parents).

Welfare:

Main expenses reimbursed:

- School fees: 41%

- Leisure expenses: 32%

- Additional medical expenses: 9%

Our employees work in a safe and healthy environment, in compliance with current regulations. To date, no accidents or incidents have taken place on our premises.
We also have a **defibrillator** on site as well as staff who are fully trained to use it.

We base our success on rewarding our employees, encouraging equal opportunity in the workplace and in career advancement, without discrimination.

We firmly believe that a remuneration system based on internal equity, competitiveness, consistency and meritocracy allows us to create long-term value at every level of our company.

Our remuneration policy therefore includes benefits and incentives aimed at both improving the quality of life of our employees and rewarding performance and achievement of specific objectives based on merit.

In keeping with our other social impact initiatives, this policy provides that the qualitative indicators for human resource assessments also include those attributable to **ESG principles**:

- **People engagement**: in order to assess the quality of the environment in terms of workplace relationships and employee motivation;
- **Talent management and Human Capital**: professional growth and level of advancement of our employees;
- **Tone from the top on compliance culture**: maintaining integrity of conduct and encouraging compliance and risk culture;
- **Sustainability strategy**: to evaluate the contribution of employees to the development of an ESG strategy;
- **Customer satisfaction**: client approval measured using specific criteria.

Employee compensation is based on a fixed salary and performance-related bonuses in order to reinforce staff motivation and loyalty whilst also considering the need to maintain the Group's financial sustainability over time.

We are committed to finding, developing and retaining the best talent.
We select our young people from the top Italian universities and invest in their growth at every stage of their career.

Also in 2018, we gave many young people the opportunity to access the world of work through our internship programme. During the year, we hired 26 interns, 5 of whom we subsequently welcomed on board.

As at 31 December 2018, we had 140 staff members, of whom 31 were recruited during the year. The average age of Group employees is 41 years and 80% of staff are university graduates.

26 **internships, of which 5 ended in recruitment**

31 **new staff members in 2018**
(+50% in 2017)

80% **of resources are university graduates**

The average tenure at Equita is 9 years and is considerably longer amongst our top managers.
The key factors that make our employees keen to work at Equita are **reputation, enterprise, ongoing training, career advancement opportunities, quality, and workplace environment.**

One award we are particularly proud of, demonstrating our total dedication to our employees, was won by our Chief Financial Officer at the third edition of the **CFO Awards** organised by Accuracy and ANDAF for CFO of the Year in the category of AIM listed companies. Our CFO won the award after overseeing the Group restructuring, including reverse-merger transactions, as well as a review of our reporting system and remuneration and incentive policies with a strong focus on welfare topics .

Our clients

In order to meet our clients' financial and welfare needs in a targeted manner, we strive to get to know them properly through a a frequent exchange of information.

We do this by arranging business meetings, roadshows and calls as well as sending reports and information on a regular basis.
In 2018, our Sales & Trading and Research teams set up more than 2,800 business meetings, including 165 roadshows, and made almost 12,000 phone calls.

11,664 **Phone Calls**

2,839 **Business Meetings of which**

165 **Roadshows**

For this purpose, appropriate procedures were put in place for accurate customer profiling in order to provide each client with the **right product or service**.

In an effort to maintain excellent relationships with our clients, we base relations on the principles established by our Code of Ethics, including:

- to operate with diligence and fairness, in compliance with legal provisions and internal procedure;
- personal data processing in compliance with current privacy laws;
- management of conflicts of interest to prevent the risk of damage to customers;
- providing clear and full disclosure to ensure clients are able to make informed investment decisions;
- prevention of money laundering and terrorist financing.

Following the introduction of MIFID II in 2018, we strengthened our risk control and client protection procedure by revising contracts, forms and reporting processes, bringing them in line with the new regulations to ensure integrity, accuracy and ease of reference.

We consistently implement innovative solutions that allow us to constantly improve the quality of the services offered to our clients.

In 2018, we revamped our company website, providing us with an important means of communication and disclosure to the market.

Additionally, in order to provide timely updates on our latest activities, we have included an e-mail alert function on our website to notify registered users whenever new documentation is published on the site.

To increase **brand awareness**, we set up a company profile on the social media channel **Linkedin** with the aim of further increasing our involvement and interaction with both current and potential clients. By 31 December 2018, we had 6,400 followers, 3,600 of whom were added during the year.

In order to keep a close eye on our clients' needs and continue to comply with **ESG criteria**, we have included a number of performance indicators in our remuneration policy for employee evaluations based on **"Customer Satisfaction"**.
One of the parameters we use is "number of client complaints", of which we have received a total of zero in over ten years.

0 **complaints in over 10 years**

We are always ready to meet our clients' needs and focus on making our business as innovative and dynamic as possible.
These success factors helped our Private Debt team to win the title of "**Private Debt team of the year**" at the 2018 Financecommunity Awards, voted one of the most well-structured and organised teams in the sector.

The quality of our services ensured that in 2018 our Sales & Trading and Research divisions were once again amongst the top teams on the main international rankings.

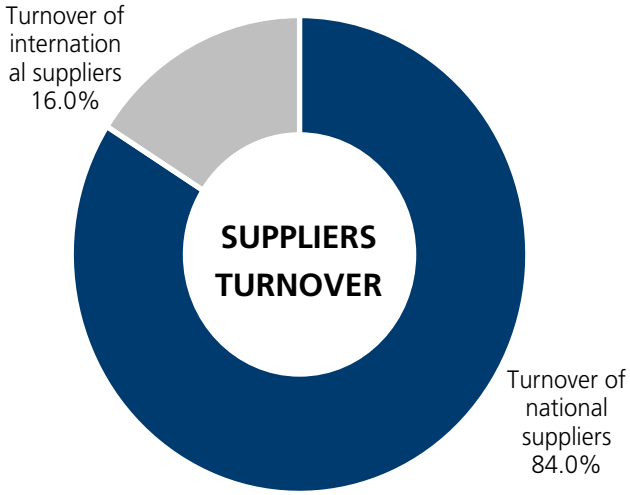
Our suppliers

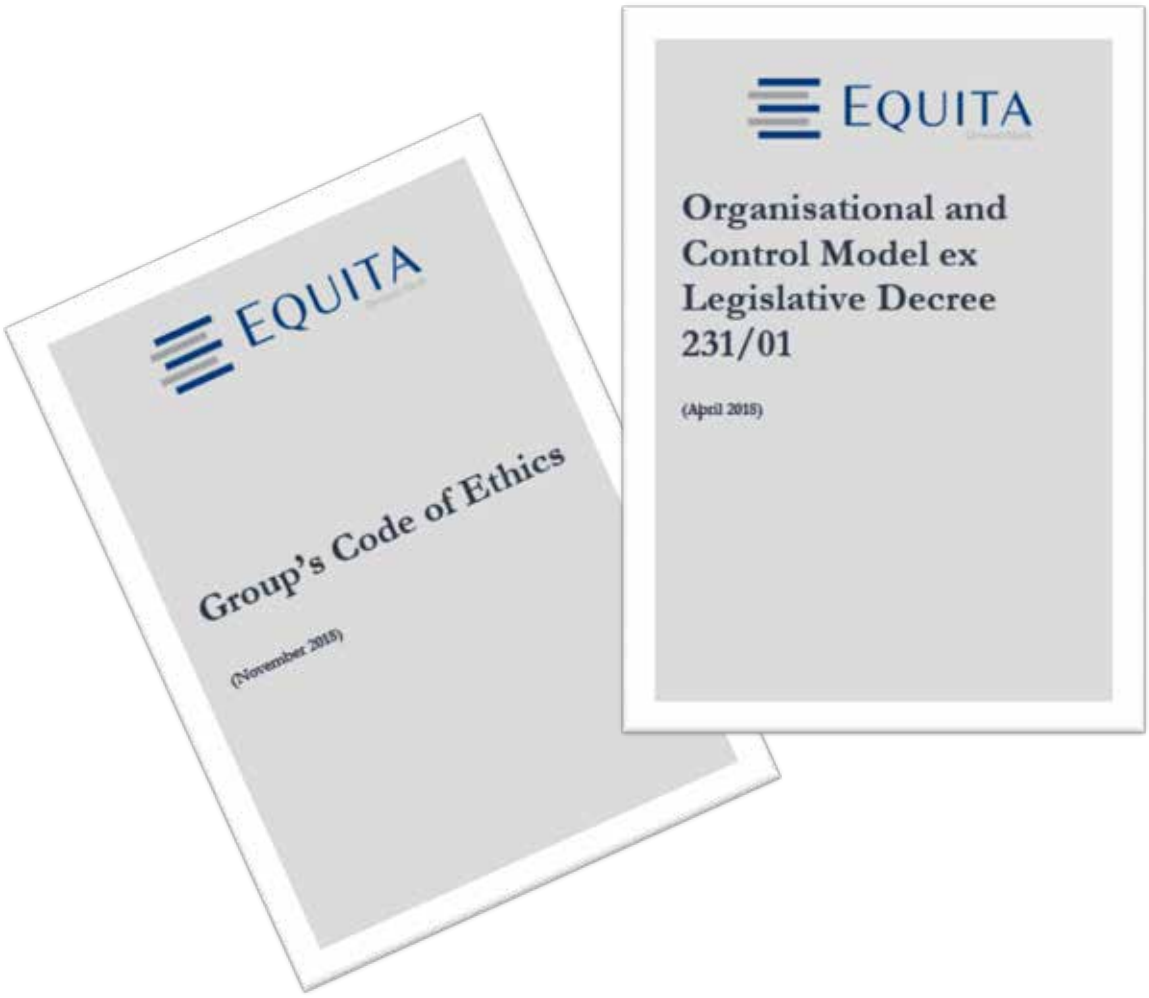
Our core value of maintaining our strong ties to Italy is also applied to our relations with suppliers.

During 2018, we dealt with around 380 suppliers for a total turnover of 26 million euro, 22 million euro (84% of the total) of which with national suppliers and 4 million euro (16% of the total) with international suppliers.

We believe it is essential to conduct our relationships with suppliers based on the values of legality, fairness, transparency and professionalism.
We also have a special policy for transactions with suppliers classed as "related parties".

We ensure that our Suppliers are aware that services provided under contracts signed with the company must follow the standards of conduct set out in our **Code of Ethics and "Organisational Model 231"**. All suppliers must therefore also sign a specific agreement by which they formally agree not to engage in any conduct that would directly or indirectly violate the Code of Ethics or "Model 231".
It is strictly prohibited to make cash payments to suppliers.





Financial Community: Shareholders-Investors

2018 was an important year for Equita, not least due to our transition from the AIM Italia index to the STAR segment. We intensified our communication with the financial community that began during our IPO on the AIM index.

We have open communication with all our stakeholders, including shareholders and investors, based on the principles of transparency and timeliness in order to guarantee everyone the same access to information.

This dialogue is guaranteed thanks to extensive and continued newsflow via various channels and social media, on our website and during dedicated meetings. In 2018, we issued a large number of both institutional and business press releases, providing better visibility on the Group's activities and initiatives.

Since our transition to the STAR segment, we comply on a voluntary basis with the Borsa Italiana "Code of Conduct", using this as the basis for our Governance Model and Internal Audit Procedure. These procedures are also based on the ESG criteria of **"Gender and Diversity".**

Furthermore, this standard is applied throughout the entire group: 27% of employees who report directly to the CEO or the Board of Directors are women, who in turn manage 50% of all staff members.

The requirement to guarantee gender equality within the administrative and supervisory bodies of listed companies is currently governed by articles 147-ter and 148 of the Consolidated Finance Law, which transposed Law 120/2011 (the so-called **"Golfo-Mosca" Law)**, now also referred to in the Code of Ethics. Given the temporary nature of this new measure and if no special legislation is put in place to make this a permanent requirement, Equita will adopt the most appropriate solution upon expiration of the term of the Board of Directors, such as including an obligation in its by-laws in order to ensure compliance with gender equality standards..

We strive to always be at the forefront of any analysis of changes and new market trends and therefore organised some events in 2018 in partnership with universities and other institutions that were very well-received by the market. One particular example is our **partnership with UniBocconi**.

Governance	2018
Members of Board of Directors	**7**
Average participation rate	94.28%
% female members	28.50%
no. of Board of Directors meetings	10
Members of Board of Statutory Auditors	**3 standing**
% female members	33.30%
no. of Board of Statutory Auditors meetings	4
Members of Control and Risk Committee	**3**
Average participation rate	97.00%
% female members	66.60%
% independent members	66.60%
No. of Statutory Control and Risk Committee meetings	10
Members of Related Parties	**3**
% female members	66.60%
% independent members	66.60%
no. of Related Parties meetings	1
Members of Remuneration Committee	**3**
% female members	33.30%
% independent members	66.60%
no. of Remuneration Committee meetings	2
Members of Supervisory Board	**3**
% female members	66.60%
no. of Supervisory Board meetings	2
Heads of Control Functions	**M F**
Head of Compliance and Risk Management	1
Head of Internal Audit and Whistleblowing	1
no. of Whistleblowing reports	Zero

EQUITA - Bocconi University: a successful and enduring partnership

*Since 2013, **Equita** and **Bocconi University** have formed a long-term partnership to encourage debate on the structural factors, advancements and potential solutions for the growth of capital markets for Italian companies.*

The revival of capital markets is key for Italy and each year Equita and Bocconi University prepare a report on topics of specific interest. The huge amount of interest and appreciation shown over the years for the analyses performed and subjects discussed has helped to strengthen our role as an "opinion maker" within the financial community.

In 2018, our study centred around an analysis of the factors that induce Italian companies to list on the stock exchange or that, conversely, represent the biggest obstacles.

*The study, conducted by the Bocconi University research centre **BAFFI CAREFIN** in partnership with Equita, was presented at the event "**Why do Italian companies go public? An empirical analysis of the period 2006-2016"** and attracted many managers, professionals, politicians, professors and media figures.*

*Equita, in partnership with **Bocconi University and Borsa Italiana,** awarded a prize to the Italian companies that were most successful in raising Debt and Equity capital during the year. The companies were selected by a panel of fourteen highly regarded judges, chaired and coordinated by Francesco Perilli, Chairman of Equita Group.*

*The **"EQUITA Best Strategy Awards"** cover three categories:*

- *Capital raising on Debt Capital Markets;*
- *Capital raising on Equity Capital Markets;*
- *Capital raising by small-mid cap companies on Equity Capital Markets.*

During the event, we also presented our annual Italian Capital Markets Analysis, illustrating the key growth trends on the equity and bond markets in Italy during 2017, focusing in particular on the marked increase in the number of equity issues involving SPACs.

Every year, in addition to the report prepared in partnership with Baffi Carefin, our analysis helps to further the knowledge of financial markets of companies, professionals and students.

Covers of the most recent publications in collaboration with Bocconi - Baffi Carefin

Based on one of our core values - **our strong ties to Italy** - we constantly strive to promote the numerous opportunities our country has to offer to the financial community.

Thanks to our strong roots in Italy and a deep knowledge of the Italian economy and Italian companies, we are able to provide a clear view of the many neglected opportunities in the current international market scenario.

We brought these opportunities to the attention of U.S. investors at the **"Italian Market Momentum Conference"** (held in Washington DC) and the **"Italian Market Momentum Business Lunch"** (held in New York), organised in partnership with the American Chamber of Commerce in Italy, the Italian Embassy in Washington DC and the Italian Consulate General in New York. During these events, we discussed the economic opportunities and challenges in Italy with U.S. institutions, companies and investors.

In another effort to draw investors' attention to some of the top quality names the Italian stock market has to offer, in 2018, we held the first edition of the Italian Champions Conference during which more than 60 institutional investors met the management teams of 6 listed companies with strong business models that are leaders of their respective sectors: Brembo, Campari, EssilorLuxottica, Moncler, Pirelli, and Technogym.

Other events organised in 2018 by our Research Team that were well-received by both Italian and international investors featured: PIR Bonds, Infrastructure, Engineering, Mid Caps.

Additionally, in 2018, we were partners at the **Italian Equity Week** organised by **Borsa Italiana** during which investors met a number of both listed and non-listed companies to discuss their strategic and financial prospects.

We took part in the round table conference "SRI Investment Strategies and ESG Criteria" at the AIM Investor Day organised by **IR TOP Consulting** with the support of **Borsa Italiana**, during which we illustrated the importance of **providing transparent disclosure to investors on companies' ESG compliance.**

EQUITA
ITALIANCHAMPIONS

Community

We focus on corporate social responsibility, capital markets, growth opportunities for young people, art and culture, which to us represent strategic development lines.
Therefore, we have long been committed to forging partnerships with Italian Universities and Associations that have social impacts, particularly in terms of encouraging the professional growth of young people.

We provide funding for the following:

- a scholarship for a **Master's Degree in Finance: instruments, markets and sustainability,** held by **ALTIS Alta Scuola Impresa e Società dell'Università Cattolica**, to provide a financial education to graduates of all subjects and focusing in particular on ethical and sustainable finance.

- two annual scholarships for talented **Bocconi University** students;

- three scholarships for students of the **Brera Fine Arts Academy** and three funding donations to assistants for educational and research purposes.

Our educational programmes cater to both university and high school students. Indeed, we are involved in:

- as of 2016 - the "I fuori classe della scuola" initiative, funding scholarships for the best Italian high school students (**www.fuoriclassedellascuola.it)**;

- as of 2017, - the "**Alternanza scuola-lavoro**" work experience programme, giving high school students the opportunity to get a first glimpse of the world of work. In 2018, we hired three new staff members as a result of the programme.

Moreover, we have strengthened relations with both universities and associations by offering the services of our experts for some academic courses free of charge.

In 2018, we hosted the following:

- three lessons on "**Market Microstructure post MIFID II: liquidity shifting**" at **Bocconi University**, as part of a "Financial Market Law" course.

- a talk on "**The Italian Bond Market - current situation and new challenges**" at Palazzo delle Stelline, as part of the IT Forum convention organised by **AIAF** (Italian Financial Analysis Association) aimed at private investors;

- a lecture on the "Moncler" business case aimed at illustrating the IR-analyst relationship to students of **IULM** University, as part of a "**Financial Communication and Investor Relations**" course.

- at our offices:

  - a lecture for students of an **Advanced Course in Licensing & Brand Extension at Milan Polytechnic**, aimed at highlighting the effects of the financial sector on the world of design;

  - a company visit by students of an **Exeter University-SDA Bocconi MSc in Finance course**, during which we presented the company and focused in particular on corporate bond issues;

  - a company visit by the **Telecom Italia** Investor Relations team as part of an executive programme organised by **SDA BOCCONI** to illustrate Equita's business activities.

Equita's core values are not only expressed in the way we conduct our business but also in our relationships with the community we operate in.
Of Equita's many give-back initiatives, one that holds a special place for us is our support for art and its institutions. Promoting talent and excellence in this sector is a way of supporting social development, while creating culture, new opportunities, value and, ultimately, well-being.
With this in mind, we formed a partnership with **Accademia di Brera**, the centre of Milan's cultural heritage and a hotbed for future talent thanks to its research and educational activities.

EQUITA PER ACCADEMIA DI BRERA

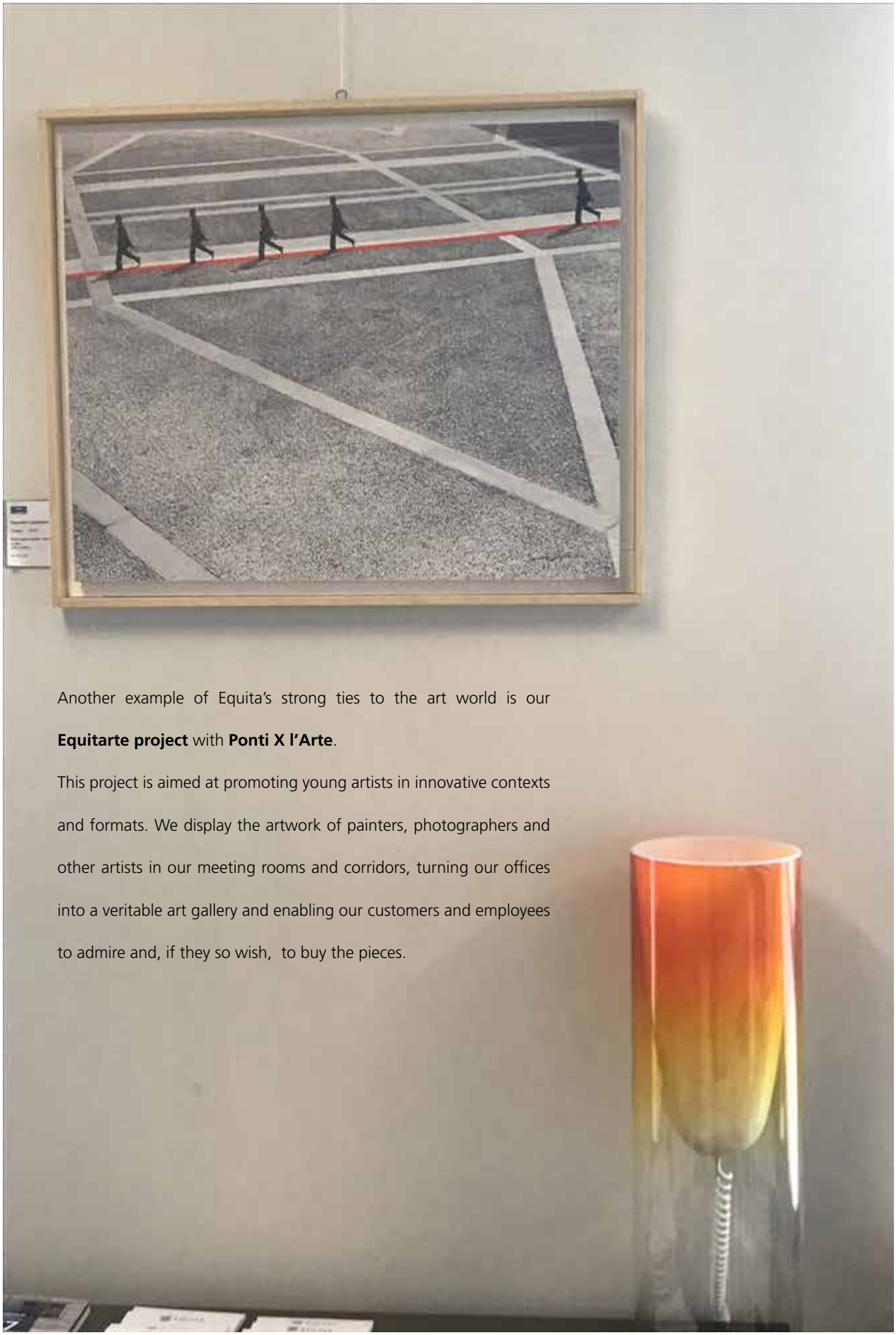
The purpose of the partnership is to create value through an initiative that rewards young talent and promotes education and research in the arts at one of Milan's most important cultural and artistic institutions.

Thanks to this partnership, students are granted scholarships and Academy researchers receive funding. We also assign the "**Equita per Brera Award**" aimed at promoting the "**Accademia Aperta**" (Open Academy) cultural initiative that takes place between July and August each year. During the event, three artworks are chosen by a panel of judges composed of representatives from Equita and Brera Fine Arts Academy.

A publication prepared by Equita in collaboration with **Editoriale Domus** describing the annual edition of the **Accademia Aperta** initiative is also presented during the event.

Picture: Gli ultimi giorni di Eliogabalo, 2018 - Jemberu Perrucchini
Artwork awarded joint-first place at the "Premio Equita per Brera" awards

Photos taken by Accademia Aperta, an Editoriale Domus S.p.A. publication on behalf of Equita Group S.p.A.



Another example of Equita's strong ties to the art world is our **Equitarte project** with **Ponti X l'Arte**.

This project is aimed at promoting young artists in innovative contexts and formats. We display the artwork of painters, photographers and other artists in our meeting rooms and corridors, turning our offices into a veritable art gallery and enabling our customers and employees to admire and, if they so wish, to buy the pieces.

Photo by kind permission of Ponti per l'Arte – Equita meeting room.

Management Report

Nella foto: momenti di lavoro in Equita

Dear Shareholders,

The net consolidate profit in 2018 totalled € 11 million, broadly in line with 2017.
This result was generated by the increase in net revenues (+ 11%%), which allowed to cover the higher extraordinary costs related to the IPO process, carried out to adhere to the STAR segment of Borsa Italiana.

In fact, the adjusted net profit for the non-recurring items related to the IPO and the acquisition of the Retail Hub business unit amount to approximately € 12 million, a +7% increase from the 2017 adjusted net profit (€ 11.2 million).
For the year 2018, Equita Group proposes to distribute € 9,999,434.50 (€ 0.22 per share) in dividends to its shareholders, in line with the previous year.

Macroeconomic backdrop

Global economic expansion continued in 2018 but began to show signs of slowing down in several developed and emerging countries in the second half of the year. In spite of the USA/China trade stand-off, as well as early warning signals pointing to weakening industrial output outside the United States, and an overall decline in investor confidence in financial markets, the latest projections from the International Monetary Fund ("IMF") on global economic growth in 2018 confirm the October forecast of +3.7% - which is essentially in line with the +3.8% recorded in 2017. Nonetheless, given the signs of a cyclical deterioration in the second half of 2018, growth estimates have been cut for several countries, and Europe in particular is one of the areas hit hardest by the worsening economic trend. Indeed, whereas at the end of 2017 the European Central Bank ("ECB") projected 2018 Eurozone GDP growth of 2.3% in real terms, the latest report issued in December cut this forecast to 1.9%. One of the established causes is the slump in car manufacturing output in the third quarter, particularly in Germany, on account of delays caused by the Worldwide Harmonised Light Vehicle Test Procedure and a slowdown in domestic demand in some countries.

In Italy, following a general election on 4th March 2018, a new government formed by a coalition of the two winning political forces took office. From a political standpoint, the year was marred by clashes between the Italian government and the EU over Italy's 2019 Budget plans, which now include a deficit of 2.04% of GDP, thus ending the reduction under-way since 2014. Nonetheless, following some adjustments to the budget, which originally included a deficit of 2.4% of GDP, the European Commission decided not to impose sanctions on Italy. From an economic point of view, after a -0.1% drop in GDP in the third quarter, economic indicators pointed to a further reduction in the fourth quarter, marking the start of a "technical recession". In addition to global factors, the weakening economy was caused by falling domestic demand, particularly investments and, to a lesser extent, household spending. The Bank of Italy estimate is for GDP growth of 0.9%, i.e. 0.3 points lower than the previous forecast.

As for monetary policy, the Federal Reserve System ("FED") raised interest rates four times while the ECB, despite leaving rates unchanged and postponing the first hike until after the summer of 2019, ended net asset purchases in December. The ECB also confirmed that its monetary policy will continue to be sufficiently accommodative to ensure price stability. 10-year Bund yields tumbled by 23bps in 2018. This drop was due to several factors:

- following a spike in early February (0.767% on 2 February), the rising tension between the Italian government and the European Commission in the first half of the year;
- a slowdown in global economic growth and the trade war between the USA and China in the second half of the year, caused Bund yields to shrink.

The BTP/Bund spread widened by 88bps to 250bps at the end of 2018, after having settled at over 200bps as of May and having touched the 350bps mark in October. This surge was caused by growing uncertainty as to the sustainability of Italy's public deficit in light of the government's expansive budget policies to fund current spending by continuing to borrow money. However, the risk premium on sovereign bonds fell sharply in the last quarter after the Italian government and the European Commission reached a compromise over Italy's budget.

As for the stock markets, following a 2017 in which all the main indexes were firmly in the black, 2018 suffered a marked decline: in terms of "total return", FTSE MIB -13.6%, FTSE Italia Mid Cap -17.5% and FTSE AIM Italia -11.5%. The main European indexes also all fell hard: DAX -18% and CAC 40 -9.1%. The Eurostoxx 600 was at -10.7%, while the worst losses were seen on the MSCI Small Cap Euro index at -16.6%.

2019 Preview

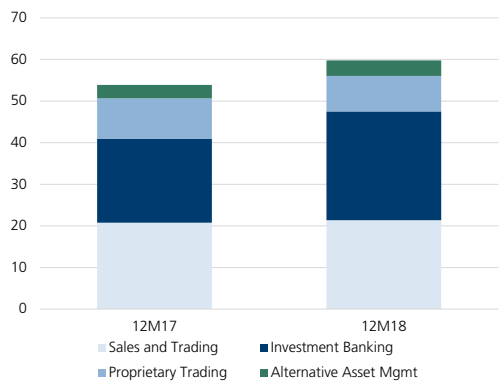
In 2019, GDP is expected to grow by 0.6%, 0.4 points lower than the previous forecast. This cut reflects the less favourable forecasts in terms of economic activity at the end of 2018, the reductions made to corporate investment plans, and the prospect of a slowdown in global trade.

Moreover, it is thought that the Fed may slow the monetary tightening under way since 2015 with more gradual interest rate hikes, while the ECB may not begin to raise rates until the summer and continue to tend towards an accommodative monetary policy.

The biggest uncertainties centre around Brexit negotiations between Great Britain and the European Union, with the risk of a "no deal" situation having greatly increased after the British parliament rejected Prime Minister Theresa May's proposals. Global trade may also be hurt by a worsening of trade tensions between the United States and China should they fail to reach an agreement on the implementation of new tariffs before the 90-day ceasefire period, adopted on 1st December 2018 ends.

Business trends and market analysis

Net revenues in 2018 amounted to €59.8 mn, an increase of 11% on the previous year (net revenues in 2017 amounted to €53.9 mn), as the following graph shows.



Global market

Sales and Trading

Trading volumes on the MTA equity market were down double digit QoQ following a deterioration in the overall macroeconomic backdrop, ending the year at -23% on December 2017. Following a negative first quarter, when equity volumes slumped by -31% on the same period of 2017, as of the second quarter Equita consistently recorded a positive performance and by the end of 2018 was at +3% on 2017. This trend led to an increase in Equita's market share to 6.6% (5% in 2017). Equita reached this positioning thanks to its appeal to Italian institutional investors and to the contribution of the new brokerage division named Retail Hub, acquired in June 2018.

The introduction of MiFID 2 as of 1st January 2018 heavily penalised brokerage firms. More specifically, the requirement for separation of research costs and transaction fees led clients to lower average trading fees and to a widespread scale-back of research budgets. Moreover, the introduction of research budgets led to more complex accounting procedures to track the associated costs, making it more difficult to manage relations with large international asset managers. Despite this, Equita was able to hold on to its clients and was awarded over a hundred research contracts.

The impact of "PIR" was felt only in the first few months of the year; as of the second quarter, inflows took a nosedive and failed even to match the excellent results seen in 2017.
As mentioned earlier, in June 2018 Equita finalised the acquisition of Nexi S.p.A.'s "Brokerage and Primary Market" business line. The Brokerage business line was merged into our Sales & Trading area and named "Retail Hub" in order to underscore the Group's focus on brokerage business with institutions that deal with retail clients. The integration was successful and allowed Equita to expand its business with intermediary and also to develop and consolidate relations with most of the small and mid-sized Italian banks. The deal also enabled Equita to increase the Group's exposure to bond markets, as part of a larger project to diversify and specialise in all asset classes. In the second half of the year, business was up and will continue throughout 2019 in order to develop opportunities for cross-selling of products to new clients.
The Group also continued with product diversification through its desks specialised in ETFs, derivatives and bonds: these initiatives allowed the Group to offset the negative effects of MiFID 2 and the dip in volumes. Indeed, the results of the Sales & Trading desk show a positive net performance (+3% on 2017) following two years of decline (-15% in 2017 vs 2016 and -6% in 2016 vs 2015) and despite the particularly tough overall market backdrop.

The outlook for 2019 seems to confirm that the economic trend will be affected by significant risk factors that could have a further impact on stock prices and trading volumes, at least in the first half of the year. Despite this, Equita has already managed to renew almost all the research contracts in place in 2018 and to secure new ones.

Proprietary Trading

As mentioned earlier, the Italian equity market showed a lacklustre performance overall in 2018 and only in the first 4 months managed to show a certain amount of continuity from 2017, whereas conditions steadily and markedly deteriorated from May onwards.
During 2018, the Proprietary Trading desk "reorganised" its investment portfolio in line with the varying market opportunities that arose during 2018 despite the shrinking market.
More specifically, the proprietary trading team reduced the volumes traded on the MTA Equity market by -33% compared to the end of 2017, in line with the overall market trend, which was down by -27%. Conversely, the team increased the share of investments in fixed income (domestic segment, Euromot and Extramot), up triple-digit.

Revenues shrank from Euro 9.6 million in 2017 to € 8.6 million in 2018, mainly due to the effects of the industry adapting to MiFID 2, narrowing the market and therefore reducing the number of investment opportunities, and to the adverse conditions on the market itself, particularly in the second half of the year. Volatility trading activities (Derivatives and Risk Arbitrage) continued to enjoy solid profitability levels, whereas directional trading "underperformed" the previous year's results. M&A activity on the Italian, European and North American markets decreased throughout 2018, but the Group was able to offset the decline in M&A transactions by applying relative value arbitrage strategies. As for client-driven activity (Institutional Client Services), 2018 was characterised by a significant amount of low risk representing more than 55% of total proprietary trading of net revenues, in line with the operating procedures of the proprietary desk, which during market downturns has consistently managed to improve the performance of client-driven business (Institutional Client Services) compared to directional trading (Investment Management).

Following the acquisition of Nexi S.p.A.'s business unit, the Proprietary Trading division incorporated the Market Making and Liquidity Provider desks, increasing the number of specialist / liquidity provider / market making contracts to around 1,000 (more than twice the number in 2017), ranging from corporate bonds to certificates and other instruments listed on the MOT, SeDeX, EuroTLX, Hi-Mtf and BTF.

Equita also acted as appointed intermediary on behalf of 10 asset management companies (2 more than in 2017) in the open-end fund market (ETFPlus segment), providing listings for 36 funds, as well as acting specialist on the MTA for 15 stocks, 5 on AIM and 3 funds on MIV.

Against a negative market backdrop (FTSEMIB -16.5% in 2018 and rising implicit volatility from 13% in 2017 to 25% in 2018), Equita opted to remain under-weighted compared to the market, particularly with "relative value assets", and remained "long" on volatility as a form of hedging.
As for risk management, our portfolio is monitored daily for both macro classes of assets based on the VaR (Value at Risk) method. The VaR represents the maximum loss expected on the portfolio within a set time period and with a given probability level. More specifically, the two asset classes Equity and Equity-Like and Non-Equity are subject to VaR limits based on a confidence ratio of 99% of distribution and time period of 1 day.

The market is expected to be weak in 2019 due to the many uncertainties around Brexit, the European elections, the US government shutdown, and China-US relations. Equita will therefore continue to focus on client-driven products and volatility. Moreover, the division placed further emphasis on Fixed Income products, strengthening its structure by acquiring external expertise and increasing product cross-selling activity.
Indeed, the Proprietary Trading team is focused on trading in debt securities (fixed income). Equita therefore covers the entire value chain, from the primary market, to the secondary market and market making.

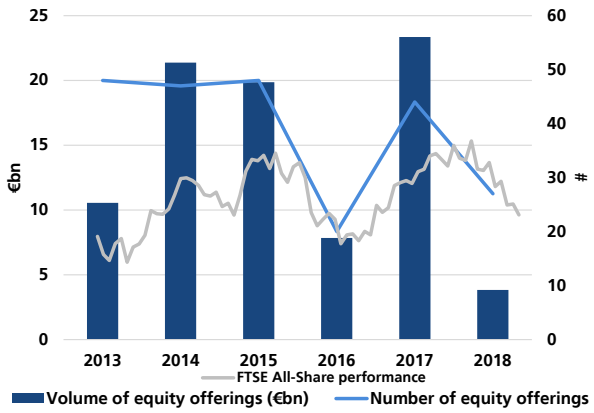
For example, Equita acts as a primary partner for bond placements and brokerage, providing some banking sector players with essential liquidity services. Using proprietary books, Equita placed around 400 high liquidity bonds and 200 branded bonds addressed to retail sector for issuers and banking groups.

Investment Banking

Following a first half of 2018 in which the target market performed dinamically resulting in a positive impact on Investment Banking transactions, a deterioration in the macro backdrop in the second half had a detrimental effect on Investment Banking transactions. Over the course of the entire year 2018, transactions were essentially in line with 2017, in terms of both entity and number. However, the average market fee has been reduced when compared with the previous year ones.

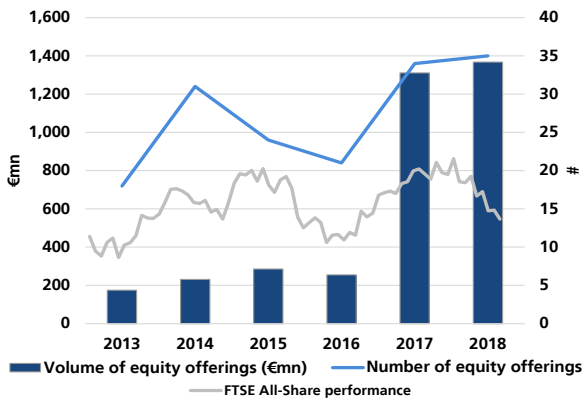
The volume of transactions on the MTA market was down by 84%, from € 23.3bn in 2017 to € 3.8bn in 2018, whereas the number of new issuances fell by 39% from 44 in 2017 to 27 in 2018. The number of convertible bond placements, IPOs and rights issues showed a marked decline on the MTA market.

Volume and Number of Equity issued - MTA Borsa Italiana



The AIM Italia market bucked this trend and unlike the main market showed a moderate increase in terms of both the volume (€ 1.4 billion, +4% vs 2017) and number of transactions executed (35 transactions, +3% on 2017), mainly driven by IPOs (involving SPACs - Special Purpose Acquisition Companies - in particular).

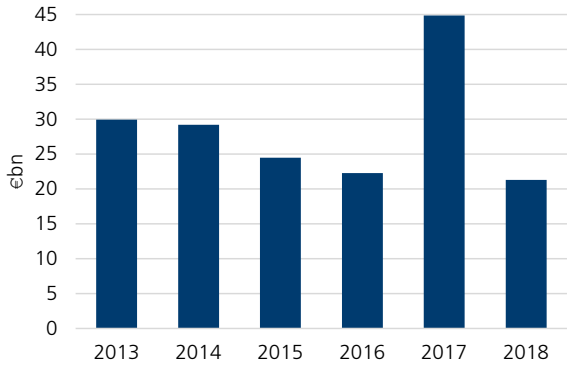
Volume and Number of Equity issued - AIM Italia



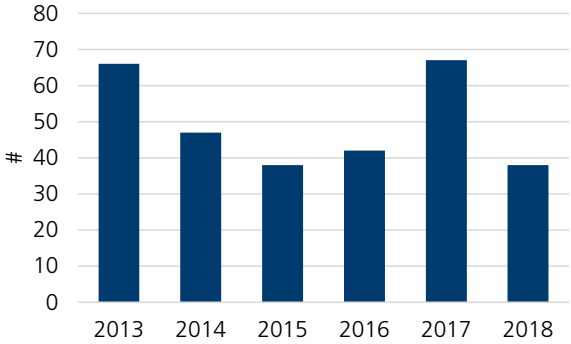
As in 2017, SPACs were the real driver of **Equity Capital Markets** in 2018 given that 7 SPACs were listed (all on AIM Italia) for a total of € 1.2 billion. The proceeds raised by SPACs in 2018 accounted for 57% of the IPO total, compared to 28% in 2017.

Debt Capital Markets also suffered a marked decline in 2018, with the volume of corporate bond placements down 53%, from € 44.8 billion in 2017 to € 21.3 billion in 2018, and a reduction in the number of placements of 43%, from 67 in 2017 to 38 in 2018. The investment grade market - which was the largest in terms of volumes, at 64% of all placements - was down by 45%.

VOLUME OF CORPORATE DEBT ISSUES - Institutional Market

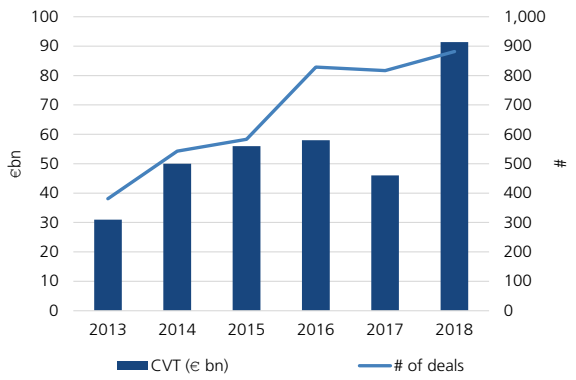


NUMBER OF CORPORATE DEBT ISSUES - Institutional Market



In 2018, the value of **M&A** deals was almost twice that in 2017, moving from around € 46 billion in 2017 to roughly € 91 billion in 2018, with a sharp increase in the number of transactions, from 817 in 2017 to 882 in 2018 (+8%). Excluding the Luxottica and Abertis deals, which alone are worth over € 42 billion (46% of the market), Italian M&A enjoyed a good start in the first few months of the year at around € 30.5 billion in the first half, followed by a sharp slowdown in the second half of the year with just € 16 billion of transactions.

TOTAL NUMBER AND AMOUNT OF OPERATIONS



Despite the tough market situation in 2018, the Investment Banking area showed further progress, increasing revenues from €20.2 million in 2017 to €26.1 million in 2018, +29%. This result was achieved, despite a market context second semester, thanks to the quality of the team's service of Investment Banking in collaboration with the team area Markets. Equita has happened however to acquire shares of Market.

INVESTMENT BANKING: SIX PILLARS

Equity Capital Markets

In 2018, Equita's Equity Capital Markets division acted as Global Coordinator and Sole Bookrunner for the listing of the SPAC Life Care Capital on the AIM Italia index (€140 million raised), Global Coordinator and Joint Bookrunner for the listing of the permanent capital vehicle NB Aurora on the MIV (€100 million raised), Joint Global Coordinator, Joint Bookrunner and Sponsor for the listing of Garofalo Health Care on the MTA (€74 million raised), Nominated Advisor and Joint Bookrunner in the listing of the SPAC ALP.I. on AIM Italia (€100 million raised) and Joint Bookrunner for the listing of SPAC Spaxs on AIM Italia (€600 million raised).

Equita played a starring role in several other Equity Capital Market transactions, including:

- Joint Bookrunner for the Credito Valtellinese rights issue (€ Euro 700 million);
- Joint Bookrunner in the RABB for the purchase of BPER shares (€74 million);
- Sole Bookrunner in the ABB involving Tecnoinvestimenti shares (€13 million).

Debt Capital Markets, Debt Advisory e Debt Restructuring

As far as Debt Capital Markets are concerned, in 2018 Equita acted as Sole Bookrunner and Placement Agent for the Euro 180 million Gruppo Carraro bond placement, Joint Bookrunner for the Euro 165 million Maire Tecnimont bond placement, Placement Agent and Sole Bookrunner for the Euro 150 million Alerion Clean Power bond placement and Co-Lead Manager for the Euro 550 million Gruppo SIAS bond placement.

As for debt advisory services, among other things, in 2018 Equita provided assistance to Armonia SGR in order to raise debt capital for the buyout of Gruppo Servizi Associati, and the funds Ambienta and L Catterton to raise debt capital for their buyout of Pibiplast.

Mergers and Acquisitions

In 2018, Equita significantly increased its M&A activity, and the Group acted as financial advisor to:

- Business Integration Partners and its shareholders for the disposal of a majority stake in the Company to the private equity fund Apax Partners;
- Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato in the merger with Gruppo Credit Agricole Cariparma;
- Atlantia for the acquisition of a minority stake in Hochtief as part of the investment in Abertis Infraestructuras;
- Armonia SGR for its acquisition of Gruppo Servizi Associati;
- Fondo Elliott in the proxy fight for the renewal of the TIM Board of Directors;
- Fondi Ambienta and L Catterton in their acquisition of Pibiplast;
- Banca Mediocredito del Friuli-Venezia Giulia and its shareholders in the sale of the majority of capital to an industrial partner;
- Ei Towers in a voluntary takeover bid by 2i Towers;
- Atlantia for the purchase of a minority stake in Cellnex;
- Infrastrutture Wireless Italiane in the establishment of a partnership with Morgan Stanley Infrastructure and Horizon Equity Partners for the acquisition of 3,000 towers from MEO (formerly Portugal Telecom);
- Veneto Banca for the disposal of Claris Leasing to Cassa Centrale Banca and Claris Factor to Credito Valtellinese;
- Creval for the sale of its life bankassurance line to Crédit Agricole Assurances.

Corporate Broker and Specialist

During 2018, Equita further consolidated its position in the Corporate Broking and Specialist segment, thanks to targeted marketing efforts and synergies between the various divisions, and increased the number of Corporate Broker and Specialist contracts.
Corporate Broking and Specialist activities are strategic for the cross-selling and the cross-fertilisation of other Investment Banking products and services.

Alternative Asset Management

As mentioned previously, the Alternative Asset Management team specialises in three areas. The main achievements in 2018 are described below.

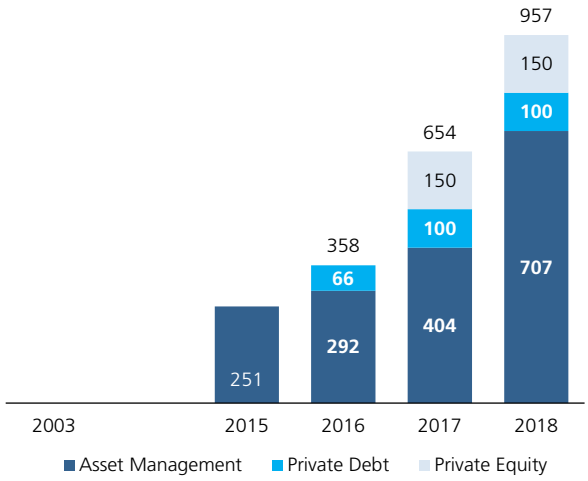
Portfolio Management

Faced with the progressive uncertainty on the financial markets, the area of alternative funds has been affected by capital outflow, especially from foreign investors; this trend influenced the inflow of the assets.

The Italian equity market ended the year 2018 on a downward spiral: the FTSEMIB fell -16.1% and the FTSE Italia Mid Cap plummeted by -19.5%.
The mid-small caps index underperformed the blue chips in 2018. This gap was mainly due to oil sector stocks, which benefited from the oil price rally in the first half of the year and which account for a large portion of the main index but are almost absent from the FTSE Italian Mid Cap index.
The impact of PIR funds on mid-small caps was also significantly reduced, given that inflows slowed progressively although were still positive.

As for Equita, the portfolio management performed on behalf of Credem (Opportunity - Top Selection - Mid Small Equity) recorded a gross average performance weighted by AUM of -10.47%, but was 364 bps higher than the benchmark.

AuM EVOLUTION (€ MN)



Again, referring to portfolio management, our partnership with Credem was strengthened in the fourth quarter, leading to the launch at the end of the year of a new flexible equity fund (Euromobiliare Equity Mid Small Cap) distributed exclusively by Credem networks and managed by Equita SIM. The fund raised € 392mn, thus easily offsetting the redemptions stemming from clients' waning risk appetite. In fact, net inflows for the year amounted to a total of 341 million euro, driving total managed assets ("AUM") up to 681 million euro.

In addition to the new fund, Equita Group S.p.A., through its subsidiary Equita SIM S.p.A., signed a long term framework agreement with Blueglen Investment Partners Limited ("Blueglen") for the distribution in Italy of funds with European credit strategies. Blueglen is a multi-strategy alternative asset manager with a European credit focus.
Equita SIM S.p.A. distributed around 43%, with roughly €24 million of AuM, of the UCITS fund "G10 Blueglen Equita Total Return Credit UCITS Fund" (or "BETR") and Equita Group invested € 5 million.

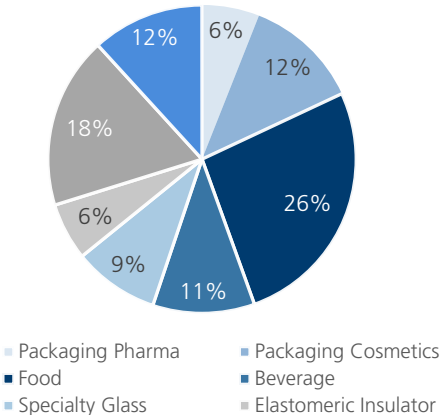
Private Debt

In 2018, the Italian private debt market continued to track a positive trend, showing a further increase on the previous year thanks to fund investment activity. According to AIFI (Italian Private Equity, Venture Capital and Private Debt Association), a total of around € 1.9 billion was raised and approximately 400 investments made on the market in the first four years of investment activity (2013-2017).

In 2018, the "Equita Private Debt" fund (the "Fund") confirmed the impressive results achieved in previous years in terms of new investments and management of its existing portfolio. More specifically, as of January 2018 the number of opportunities analysed by the investment team increased and, consequently, investment activity intensified. The team continued to take a very selective approach to the creditworthiness of issuers.

The graph shows the breakdown of the Fund's investments by sector.

PORTFOLIO BREAKDOWN (*)



(*) including investment in BV Tech

The Fund invested:

- in February 2018, € 7.0 million in the company CRM (a subordinated senior bond of € 6.0 million and € 1.0 million of ordinary shares);
- in September 2018, € 10.0 million (a subordinated bond) in the company Pibiplast;
- in October 2018, € 15.0 million (senior bond) in an Italian ceramics company;
- in the same month, € 8.9 million (senior bond) as part of EOS Investment Management's acquisition of Neronobile Srl, a company producing compatible coffee capsules;
- at the end of the year, € 15.0 million in Panapesca S.p.A., a company specialized in the processing and distribution of frozen fish.

By the end of 2018, the Fund had invested a total of 83.2 million euro (83.2% of total commitments) with an estimated average unlevered return of 8.8%.

In February 2019, the Fund is expected to make a further investment of €7.8 million (€6.4 million euro in subordinated bonds and €1.4 million in the equity) of a company specialized in sale of professional cosmetics products.
Moreover, Equita is taking the necessary steps to launch a second private debt fund (EPD II") that will have a very similar investment style to the first fund, will maintain the same level of flexibility and primarily invest in senior, unitranche and subordinated bonds.

Thanks to its achievements, in November 2018 Equita's private debt team was named "Private Debt Team of the year" at the 2018 Financecommunity Awards, voted one of the most well-structured and organised teams in the sector.

Private Equity

Within the Alternative Asset Management area, the Private Equity team is responsible for identifying products and investment opportunities with the involvement of third-party investors.

2017 was affected by new investment opportunities following the launch of the SPAC, 2018 enjoyed the effects of the first business combination announced on 19 January and finalised on 14 May 2018. More specifically, under the terms of the transaction, EPS was first spun off to EPS2. EPS then (after the spin-off) acquired 100% of ICF's share capital for € 69.1 million. The shares issued as a result of the capital increase are subject to a 36-month lock-up period, thus aligning the interests of all shareholders. ICF Group (formerly EPS) thereby became the parent company (with a stake of 100%) of ICF, listed on the market with a float of around 90% of share capital.

On 10 May 2018, EPS 2 shares began trading on the AIM Italia market (BIT: EPS2). The share price at 31 September 2018 was Euro 9.4 and the price of the warrants was Euro 0.24. EPS 2's capital amounts to around 75 million euro, to be used to acquire a stake in a company within 18 months of the IPO date (10 May 2018).

As of May, as well as monitoring the financial performance of ICF Group, the team focused on providing support and assistance, and helped ICF Group management with all aspects of compliance for AIM listed companies and managing relations with the market.

The private equity team also focused on creating and identifying a new pipeline of potential target companies that best meet EPS2's investment criteria, with the aim of achieving a second business combination by November 2019.

Research Team

Our research team provides essential support to all the previously mentioned divisions, offering the following services: a) analysis of financial markets and listed securities issued by companies; b) research services for EQUITA Group clients; c) specific analyses required by the Group's various business lines.

The research team is composed of 15 analysts, of whom 11 focused mainly on Italian equities, 3 on European equities and one new team member dedicated to debt securities. During the year, the team initiated coverage of 12 new Italian stocks and 3 foreign companies. The newly covered stocks include GHC, for which Equita acted as Global Coordinator during the IPO.

At the end of the year, the research team covered 164 companies, of which 123 in Italy and 41 in Europe, in line with 2017.

The team published approximately 540 reports, an increase on the roughly 520 reports published the previous year. The also team organised over 160 meetings between listed companies and institutional investors, in line with the previous year. Some of these meetings were held as part of broader sector-based conferences organised in Milan and outside Italy. The number of conferences rose to 8, progressively increasing from 5 in 2016 and 7 in 2017. More specifically, we organised two new conferences dedicated to bond issuers ("PIR Bond Conference") and top Italian companies ("Italian Champions Conference"), on which we published a special report that was presented in New York and Washington to prestigious Italian and US institutions as part of a conference organised in partnership with the American Chamber of Commerce.

Thanks to its high-quality services, our research team made the top spots on the most prestigious investor rankings for "Best Italian Research" voted by Italian and foreign institutional investors.

This year, the team plans to extend its research activity to debt issuances, by exploiting its equity analysts' deep knowledge of corporate issuers and combining this with externally acquired debt market expertise.

Performance of the Group

The net consolidated profit in 2018 totaled € 11 million, broadly in line with 2017.
This result was generated by the increase in net revenues (+ 11%%), which allowed to cover the higher extraordinary costs related to the IPO process, carried out to adhere to the STAR segment of Borsa Italiana.
In fact, the adjusted net profit for the non-recurring items related to the IPO and the acquisition of the Retail Hub business unit amount to approximately € 12 million, a +7% increase from the 2017 adjusted net profit (€ 11.2 million).

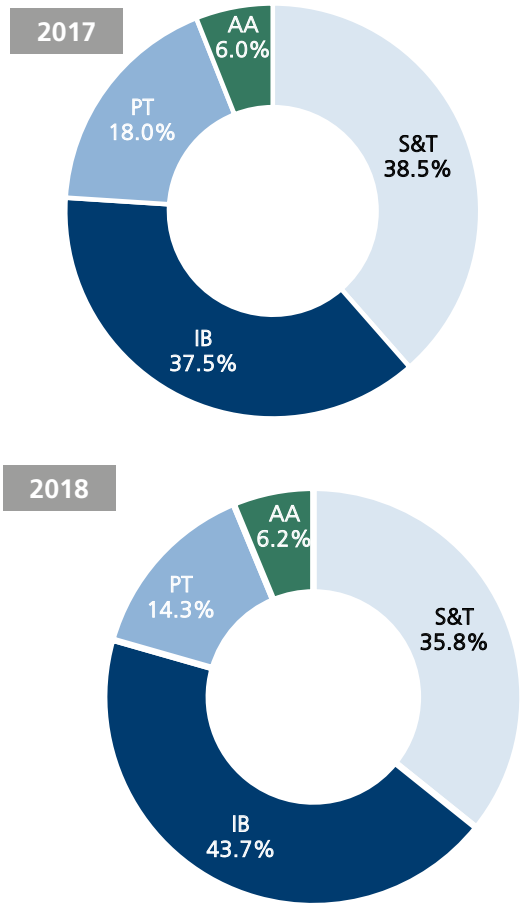
The Group's positive performance was confirmed also on the side of capital ratios CET1 and the Total Capital Ratio (TCR) at 28.67%, which exceed the regulator's requirements.

Net revenues were mainly concentrated in the first half of the year thanks to the sound performance of the financial markets in the wake of the positive trend seen in 2017, as mentioned in the macroeconomic section.

Net revenues amounted to € 59.8 million, up 11% compared to 2017 (€ 53.9 million) and with a different breakdown between business areas:

- Sales and Trading accounted for 35.8% of net revenues (38.5% in 2017),
- Investment Banking accounted for 43.7% (37.5% in 2017),
- Proprietary Trading accounted for 14.3% (18% in 2017),
- Alternative Asset Management accounted for 6.2% (6% in 2017).

CONTRIBUTION TO NET REVENUES BY BUSINESS AREA



Reclassified Income Statement

The income statement is represented in a reclassified form to better display the contribution to Equita's net revenues stemming from each business line, as shown in the following table:

(€/000)	31/12/2018	31/12/2017	Delta %
Markets			
Sales & Trading	21,379	20,773	3%
Proprietary Trading	8,570	9,684	(12%)
Investment Banking	26,108	20,200	29%
Alternative Asset Management	3,729	3,239	(15%)
Net revenues	**59,786**	**53,897**	**11%**
Personnel expenses	(27,384)	(26,425)	4%
of which: fixed component	(15,715)	(10,033)	57%
of which: variable component	(11,669)	(12,880)	(9%)
Other administrative expenses	(16,846)	(12,106)	39%
Total costs	**(44,230)**	**(38,531)**	**15%**
Comp/revenues	*46%*	*49%*	(7%)
Cost/income ratio	*74%*	*71%*	3%
Profit (loss) on ordinary operations before tax	**15,555**	**15,365**	**1%**
Income tax on ordinary operations	(4,527)	(4,349)	4%
Tax rate	(29%)	(28%)	3%
Net income (loss) (+/-)	**11,028**	**11,016**	**0%**

The **Global Markets area** includes businesses related to trading. These feature trading activities on behalf of customers, such as Sales & Trading, on top of activities defined as "client-driven and market-making" and those trading activities on own account in investments, defined as "directional". From an accounting perspective, the "client-driven and market-making" and "directional" activities are displayed in the Proprietary Trading area.

The **Sales and Trading** business reported a slight increase in net revenues compared to the same period of the previous year (+3%) thanks to the contribution of the brokerage area geared towards retail clients, which was purchased at the end of May 2018 and fully integrated by the second half of 2018.

The **Proprietary Trading** business (including the activity generated by the "client-driven and market-making" portfolios up to 31 December) reported a drop in net revenues of € 1 million compared to 2017 (-12%) due to the difficult market environment. As of 31 December 2018, the "client-driven and market-making" component represents more than half of net revenues derived from proprietary trading.

The **Investment Banking** area recorded an increase in net revenues (+29%) totaling €5.9 million thanks to the performance of both the Capital Markets and the M&A and Advisory divisions.

The **Alternative Asset Management** area also reported double-digit growth (+15%) thanks to an increase in asset management fees (+7%) and revenues generated by the Private Equity division that have benefitted from the first effects of the conversion of the special shares of EPS Equita PEP SPAC S.p.A.

Total **operating expenses** amounted to € 44.2 million, compared to € 38.5 million in 2017 (+15%). This increase of € 5.7 million stems from the increases of € 4.7 million in operating expenses and € 1 million in payroll costs. In particular, higher costs have been incurred in the following areas:

- €2.3 million for both technological infrastructure (approximately + € 1.3 million) and variable trading costs due to an increase in activity on the Italian stock market (approximately + € 1 million);
- €0.4 million for information provider costs due to an increase in staff engaged in brokerage activity;
- €1.4 million for non-recurring costs applicable to the transition to the STAR market (€ 1.1 million) and to the acquisition of the Retail hub business (€ 0.3 million);
- €0.4 million for the adaptation of the corporate structure to a greater complexity and to evolving regulations, and business-related consultancy.

Lastly, Equita increased its commitment to corporate social responsibility in the social and cultural domains (€ 0.2 million), increasing the number of sponsored initiatives and widening the range of beneficiaries.

The increase by approximately € 1 million in payroll costs is attributable to the increase in the fixed compensation and new hires and is partially offset by a reduction in variable compensation. This trend has therefore led to a redesign of the comp/revenues ratio, which dropped from 49% in 2017 to 46% in 2018, and a reduction in the effect of variable compensation in terms of the total compensation, which fell from 56% in 2017 to 43% in 2018.

The cost income ratio as of December 31, 2018 is 74.5% (71.5% as of December 31, 2017), while the adjusted cost income ratio for the non-recurring effects described above is equal to 71.6% (71.0% as of December 31, 2017).

Equita's effective tax rate in 2018 was 29.1%, up from 28% in 2017, when the income statement benefitted from the reversal of the provisions for deferred tax liabilities related to the corporate income tax ("imposta sul reddito delle società", IRES) surcharge of 3.5% (abolished at the end of 2017) which were written offat the end of the previous year.

Reclassified Balance Sheet

(€/000)	31/12/2018	31/12/2017	Delta %
Financial assets measured at fair value through profit or loss	60,498	49,476	22%
Financial assets measured at amortised cost	215,086	174,020	24%
Investments in associates and companies subject to joint control	1,538	1,331	16%
Property, equipment and intangible assets	15,624	14,257	10%
Tax assets	3,917	6,315	(38%)
Other assets	1,660	880	89%
Total assets	**298,322**	**246,279**	**21%**
Debts	184,799	129,136	43%
Financial liabilities held for trading	8,285	14,625	43%
Tax liabilities	2,009	1,243	62%
Other liabilities	14,544	13,979	4%
Employees' termination indemnities	2,447	1,970	24%
Allowances for risks and charges	6,169	6,344	3%
Shareholders' equity	80,070	78,982	1%
Total liabilities	**298,322**	**246,279**	**21%**

Financial assets held for trading at fair value through profit or loss rose by roughly € 11 million compared to the amount as of 31 December 2017.

- • An increase in exposure of approximately € 7 million was recorded in the trading portfolio following the reorganization of the proprietary portfolio, which in turn led to an increase in investments in debt securities (partly thanks to introduction of the Retail Hub business unit) amounting to € 17 million, offset by the lower exposure of the equity portfolio by approximately € 10 million.
- Financial assets other than those held for trading (€ 4 million) include UCITS relating to the investment in the Private Debt fund (€ 3.4 million), EPS Equita PEP SPACE 2 S.p.A. special shares (€ 0.4 million), EPS Equita PEP SPAC S.p.A. special shares (€ 0.24 million) and Blueglen fund shares (€ 4.8 million).

Financial liabilities held for trading fell by € 6 million compared to 31 December 2017. This decrease is mainly attributable to fewer short positions on equity securities, confirming the asset allocation strategy above described.

Financial assets measured at amortized cost rose by € 41 million. This increase was almost entirely attributable to the transaction balance not yet settled by clients as of 31 December 2018 (but settled in the following month) and is due to the type of instruments negotiated and to the increase in the volumes traded by the subsidiary Equita SIM.

Intangible assets increased due to the combined effect of the recognition of goodwill from the Retail Hub business unit totaling € 0.9 million and an increase in hardware and software assets.

The item **Other Assets** is essentially in line with the previous year. This is composed of prepayments relating to services paid in advance and leasehold improvements, most of which were recognized in 2016.

Payables rose by approximately € 55 million compared to 31 December 2017. This increase is attributable to:

- a new credit line for the Retail Hub business totaling approximately € 20 million, borrowed as of June 2018;
- increase in transactions to be settled with customers (but settled in the following month) by the subsidiary Equita SIM, totaling approximately € 36 million. Out of this amount, approximately € 17.7 million is owed to the clearing house (Cassa di Compensazione e Garanzia). This difference stemmed from the specific type of instruments traded and the increase in volumes traded by the subsidiary Equita SIM.

Moreover, the item includes a loan granted to the subsidiary Equita SIM by Intesa Sanpaolo, totaling € 115 million and including € 10 million in foreign currency. In July 2018, Equita SIM renegotiated the agreement to reduce the collateralization ratio and obtained an increase in the existing line in foreign currency. As at 31 September 2018, the collateralization ratio was fully complied with.

The item **Other liabilities** rose by € 0.4 million, mainly due to pension fund liabilities.

The approximately € 0.5 million increase in the **Employee termination indemnities** (Indennità di fine rapporto, TFR) item is mainly attributable to the liability acquired with the Retail Hub business.

Allowances for risks and charges include the deferred amount of variable compensation payable to employees, in accordance with the CRD IV directive. This provision is slightly lower (-3%) than the previous year due to disbursements in 2018.

As of 31 December 2018, the **Share Capital** of Equita Group S.p.A. amounted to € 11,376,345 (€ 1,376,345 of which paid in during the previous IPO) on 50,000,000 shares with no par value. **Treasury shares** amounted to € 4.5 million (€ 4,548,025) following the sale of 200,000 treasury shares to employees in October 2018. Following the IPO on the AIM market in 2017, the share issuing generated a share premium reserve totaling € 18.2 million.

As at 31 December 2018, the Other Reserves item amounted to € 44 million, up by € 1 million compared to the previous year due to a dividend payout, which was lower than 100%. Dividends paid based on the 2017 profit (totaling € 11,015,000) amounted to € 9,955,434.

Net profit for 2018 amounted to approximately € 11,028,000.

Key Capital Ratios

As of 31 December 2018, the **Return on Tangible Equity (ROTE[1])** was 17%, compared to 16.9% at the end of 2017.

The consolidated **Total Capital Ratio** (TCR) was 28.67%, well above the prudent limits and in line with the values as of 31 December 2017 (29.84%).

1 ROTE ex dividend as of 31 December 2018 was 20%

Price Book Value	2018	2017
Equity market capitalisation	147.3	136.8
Group Shareholders' equity	80.1	79.0
Price / book value	1.84 x	1.73 x

The indicator reflects the value attributed to the share capital of a listed company by the market and hence, indirectly, to the sum of its total assets. While measuring the appreciation that financial operators and analysts attribute to the potential profitability and financial strength of the company, the ratio is heavily affected by the external factors that influence stock prices.

Pay-Out Ratio	2018	2017
Group profit (loss) of the year	11.028	11.015
Dividends	10.0	9.96
Dividend pay-out	91%	90%

The ratio expresses the relationship between the total net profits and the amount allocated as dividends.

Dividend Yield	2018	2017
Dividend per share	0.22	0.22
Average share price	3.21	3.06
Dividend Yield	6.9%	7.2%

The indicator measures the relationship between the stock return in percentage, valued at the average market price of the reporting period, and the dividend paid.

Main initiatives in 2018

...in terms of Business

Acquisition of the Brokerage and Market-making business line

On 20 March 2018, Equita SIM and Nexi S.p.A. signed an agreement whereby Nexi agreed to sell to Equita SIM the assets and organized legal relationships relating exclusively to the provision of investment and proprietary trading services, order execution on behalf of customers and the receipt and transmission or orders pursuant to letters a), b) and e) of article 1, paragraph 5 of the Consolidated Finance Law (Testo Unico della Finanza, TUF). This consisted, among other things, of the following:

(i) legal relationships, including those with employees, concerning the activities of the business; and

(ii) financial assets held for trading underlying the market-making activity.

The consideration paid for the acquisition of the business was € 900,000, without being subject to adjustment. Pursuant to IFRS 3, the entire payment above mentioned was recorded as goodwill. The closing date of the transaction was 31 May 2018. The acquired business included a portfolio of securities valued at approximately € 10.3 million, asset and liabilities totaling approximately € 0.7 million and € 0.4 million respectively (of which € 0.1 million payable to employees) and a € 0.4 million in employee termination indemnities. The acquired business was balanced with a debit position totaling the net value of the aforementioned assets and liability recorded in the liabilities due to banks, represented by the credit line granted by the transferor company.

Framework agreement with Blueglen for the placement of the BETR fund

On 6 July 2018, Equita Group S.p.A., through its subsidiary Equita SIM S.p.A., signed a long-term framework agreement with Blueglen Investment Partners Limited for the distribution of funds with European credit strategies in Italy and Europe. Blueglen is a multi-strategy alternative asset manager focused on European credit. Under the agreement, Equita SIM S.p.A. will act as the sole distributor for Italy and will contribute to the initiative by sharing its knowledge of capital markets. The first fund in the scope of the agreement was the G10 Blueglen Equita Total Return Credit UCITS fund. The fund invests in junior tranches of collateralized loan obligations (CLOs), junior bond issues and credit default swaps of the main European industrial and financial issuers.

The fund's leverage is moderate and its annual return target (net of fees) is 5-6% in euros. The fund also offers four classes of shares (EUR, USD, GBP and CHF) and applies innovative investment and risk management strategies.

New agreement for fund management with Euromobiliare A.M. S.g.r..

In October 2018, the "portfolio management" sub area entered a partnership with Euromobiliare Asset Management S.g.r. for the management of asset allocation for the new Euromobiliare Equity Mid Small fund. The fund applies an absolute return strategy, with a risk-return profile of 5. The subscription period ended on 30 November 2018, collecting approximately € 392 million in assets. Following the initial phase in the first months of 2019, the fund recorded a positive performance, particularly in mid-February, with a 1-month performance of 0.24%.

...in term of governance

Transition to the STAR segment of the Milan Stock Exchange (Mercato Telematico Azionario, MTA)

In the second and third quarters of 2018, Equita Group arranged its transition from AIM Italia to the STAR segment of the MTA market, organized and supervised by Borsa Italiana S.p.A. The board of directors and the shareholders had approved the transition on 14 March 2018 and 16 April 2018 respectively. On 29 August 2018. Equita Group filed a prospectus for admission to trading of Equita Group ordinary shares on the STAR Segment of the Milan Stock Exchange. On 23 October 2018, Equita Group made its debut on the Borsa Italiana S.p.A. MTA market as a STAR segment issuer.

Regulatory improvements

In the first half of 2018, the Group completed the process that began in 2017 to ensure compliance with the new accounting standard IFRS9 Financial Instruments. The process was focused on Classification & Measurement and Impairment.

"Classification & Measurement"

In particular, the new standard IFRS 9 introduces a test for the classification of financial assets based on both contractual cash flow characteristics of the instruments and the purpose for which they are held.
Based on this rule, they formalized the business models adopted by the Group and structured the trading portfolio at loan portfolio level.

For the purposes of determining value adjustments on business model, the Group established the parameters for the determination of a significant increase in credit risk (performing in stage 1 or stage 2). For the stage classified as 3, there are no changes to the classification logic up to currently applied for the "impaired" categories.

Based on the above, an estimate of the impact of first-time adoption of IFRS 9 on the Group's consolidated net equity at 1 January 2018 is provided below. More specifically, as far as performing loans are concerned, the increase in value adjustments is attributable to the allocation of a portion of the performing portfolio to Stage 2, based on the established stage allocation criteria, with the resulting need to calculate the expected loss for the entire residual life of the financial assets. The adoption of the new standard implied a negative pre-tax impact on equity of € 251,000 recognized in the FTA Reserve and a neutral impact of approximately € 18,000 (€ 23,000 before tax) for the reclassification of assets from Other comprehensive income to the FTA reserve.

As regards with the new standard IFRS 15 Revenues from contracts with customers (adopted by the European Commission by means of Regulation No. 1905/2016, which led to the cancellation and replacement of IAS 18 Revenues and IAS 11 Construction Contracts), the Group did not identify any substantial changes in its accounting revenue model. In fact, revenues generated by contracts with customers are already in line with the provisions of the new standard and therefore new accounting standard does not affect the accounting rules.

SREP Letter - Decision on capital requirements

Equita Group received a letter on 4 February 2019 notifying it of the Supervisory Authority's final decision regarding the capital requirements to comply since1 January 2019. The new consolidated capital requirement are as follow:

- Common Equity Tier 1 ratio (CET 1 ratio) is 5.06% including the minimum requirement of 4.5% plus 0.56% of additional tier 1 capital determined based on the SREP;
- Tier 1 capital ratio of 6.75% including the minimum requirement of 6% and 0.75% for the additional requirements determined based on the outcome of the SREP;
- the SREP requirement in terms of Total Capital ratio of 9%, including the Pillar I minimum requirement of 8% and 1% additional requirements determined based on the outcome of the SREP.

Moreover, in order to ensure that requirements are met even in the event of any deterioration in the economic and financial scenario, the Authority has established an additional "buffer" that the Group is required to meet. In more detail, the Group is required to meet constantly the requirements described above, in addition to a "Target" component of 2.79%. The following table summarizes the details of the requirements identified for the Group:

	Minimum requirement	Srep	Target	Total
CET1 Ratio	4.50	0.56	2.79	7.85
TIER1 Ratio	6.00	0.75	2.79	9.54
TCR	8.00	1.00	2.79	11.79

Corporate restructuring: establishment of Equita Capital SGR S.p.A.

In order to increase the Group's competitiveness by broadening its range of services, Equita Group Board of Directors meeting of November 2018 resolved to start the project related to the establishment of an Italian registered UCITS management company, wholly owned by Equita Group.

On January a new vehicle was established. After having followed the necessary authorizations to operate as an asset management company, the vehicle will incorporate., through a proportional spin-off without exchange, activities related to the management of delegated portfolios, initiatives related to the management of Private debt funds and future initiatives related to activities of private equity, actually in charge of Equita SIM S.p.A..

The vehicle is called Equita Capital S.g.r., whit an initial net capital of € 1 million. The vehicle will remain dormant until it receives Bank of Italy authorization to operate. In the second half of February 2019, the Parent Company sent the request for authorization.

Projects

In 2018, the Information Technology department was engaged in ordinary IT upgrades, in IT system consolidation and in developments to provide services that are more efficient to clients and internal business areas. More specifically, in terms of software architecture, we continued to improve infrastructure and application, as well as continuing to improve and tune design to security. Some of our main projects are:

- Systems upgrade of trading to provide best execution services;
- Systems upgrade for Retail Hub trading services;
- Trading platform implementation, supporting the specialist and market making activities; ;
- Upgrade of platform for delegated management of the new Mid Small Cap line with Euromobiliare AM;
- Upgrade a platform for a new management control system;
- Upgrade of the new expense report system;

As for the activities of regulatory environment we highlight the implementations related to the adaptation of the systems to the MiFID 2 regulation, entered into force on 01/03/2018 including Transaction reporting, post trade transparency, Emir, RTS 27 e 28, and the new Systematic internalizer.

New products and key initiatives throughout the year

As mentioned earlier, in 2018 the Group launched some new alternative asset management products and, in particular, the BETR fund.
For more details, please see the specific section of the financial statements.

Employee and environmental information

The company operates in a sector that has a low environmental impact and operates in compliance with current health, safety and environmental laws. At 31 December 2018, Equita's staff was composed of 140 employees, of whom 28 are managers. The Group recruited 31 new staff in 2018, while 11 employees left the company.

Key risks and uncertainties

The biggest risks arise from the market scenario in which the Group operates given that it affects both transaction fees and trading activity. Such risks depend upon external factors, the ultimate impact of which is hard to predict. Nonetheless, these risks do not affect the Company's ability to operate as a going concern.

Number and par value of both treasury shares and shares or quotas in parent companies held by the company, including through trust companies or intermediaries, indicating the corresponding share of capital.

Pursuant to paragraph 3.3 of art. 2428 of the Italian Civil Code, we hereby notify that Equita Group owns 4,548,025 treasury shares or 9.0961% of total shares representing the share capital.
Equita Group subsidiaries do not own any shares in the parent company.

Number and par value of both treasury shares and shares or quotas of parent companies purchased or sold by the company during the year, including through trust companies or intermediaries, indicating the corresponding percentage of capital, the consideration paid or received and reasons for purchase or disposal.

Pursuant to paragraph 3.4 of art. 2428 of the Italian Civil Code, we hereby certify that Equita Group owns 4,548,025 treasury shares or 9.0961% of all shares representing the share capital.
During the year, in order to allocate shares to specific employees of the subsidiary Equita SIM S.p.A, the Company sold no. 200,000 treasury shares (0.4% of shares representing total share capital) at a price of € 1 per share.

Corporate governance and shareholder structure

Pursuant to article. 123, paragraph 3 of Italian Legislative Decree no. 58 of 24 February 1998, the report on corporate governance and the shareholder structure is available under the Governance section of the Equita Group website (http://www.equita.eu).

Directors' remuneration report

Pursuant to article. 84-c, paragraph 1, of Consob Issuer Regulation, implementing the provisions of Legislative Decree no. 58 of 24 February 1998, the "Directors' Remuneration Report" is available on the Equita Group website (http://www.equita.eu).

Disclosure on terms of convocation of Annual General Meeting of Shareholders

Pursuant to article. 2364, paragraph 2, of the Italian Civil Code and article 6, paragraph 4 of the Articles of Association, the Draft of Annual Report shall be submitted for approval by the Annual General Meeting of Shareholders within 120 days of the reporting date.

Risk Management

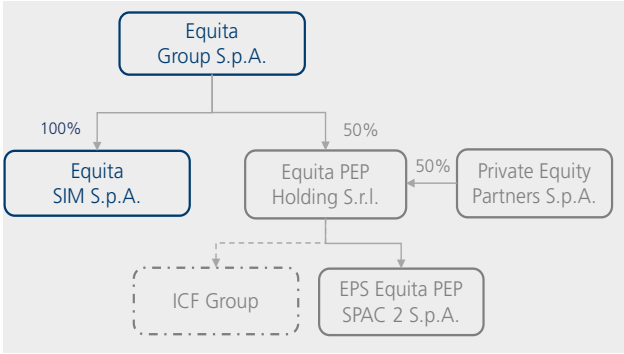
Risks are assessed by the Board of Directors on an annual basis, as part of the ICAAP – ILAAP process. They are also revised on a regular basis as part of normal monitoring procedure. The biggest risks identified by the ICAAP process are market and credit/counterparty risk. On the back of analyses conducted during the ICAAP process - supported by internal or alternative models, in addition to stress tests - the Group's overall exposure is monitored adequately. Overall, internal capital requirements are guaranteed by the Group's own funds.

Other information

Research and development

Pursuant to article 2428 paragraph 3.1 of the Italian Civil Code, the group did not perform any research and development activities during the year.

Share and corporate structure



Equita Group S.p.A. is the entity listed on the Milan Stock Exchange (BIT: EQUI) and is the parent company of Equita SIM, a 100%-owned subsidiary. Equita group S.p.A. holds, moreover, 50% of Equita PEP Holding S.r.l., a company that, in turn, holds the shares of Equita PEP Holding S.r.l., in Joint Venture with Private Equity Partners S.p.A.

Related parties transactions

Transactions between the Parent and its affiliates are regulated by the art. 2428 paragraph 3, point 2) of the Civil Code. We hereby declare that transactions with related parties entered during the 2018 financial year refers to intercompany services with:

- Equita SIM S.p.A .;
- Equita PEP Holding S.r.l ..

On 2 January 2018 Equita Group S.p.A. agreed an outsourcing contract whit Equita SIM S.p.A., for the legal and tax services, with an annual fee of € 125,000plus VAT. On the same date, Equita SIM S.p.A. agreed an outsourcing contract whit Equita Group SpA for the different services including the technological infrastructure, administrative services, equipment, general services and staff, with an annual fee of € 80,000 plus VAT.

On March 1, 2018 Equita Group S.p.A. has granted, at a fair market conditions, to Equita SIM S.p.A. a loan maximum € 15 million to support financial needs related to ordinary operations.

In addition to the above mentioned transactions are included in the Related parties transactions also the compensations the financial year to the executives with strategic responsibilities . For more details, see "Section 5 – Transactions with related parties" in the Notes to the financial statements.

Branch operations

Equita Group and EQUITA SIM do not own any other branches as provided by art. 2848, paragraph 3 of the Italian Civil Code.

Subsequent events and outlook

Among the activities that will be implemented in 2019, it is mentioned the start of the project aimed at allowing the establishment of the Italian management company, fully owned by Equita Group.

The company has the objective, since its inception, of managing alternative funds.

In January 2019, a new vehicle was created. After having obtained the necessary authorizations to operate as an asset management company, it will receive by Equita SIM S.p.A., through a proportional spin-off operation without exchange, those activities related to the management of delegated portfolios, the initiatives related to the management of Private debt funds and future private equity initiatives.

The initial share capital of the vehicle, named Equita Capital SGR S.p.A. totals € 1 million.

The vehicle will remain inactive until the outcome of the authorization application sent to the Bank of Italy in the second half of February 2019.

With regards to the other business lines, the first months of 2019 have featured a barely dynamic market both in terms of volumes traded (the turnover of shares in January 2019 was equal to 1,902 million euro, compared to 2,727 million euros in January 2018) and in terms of placements (only 3 market transactions in January 2019). In this context, both the Global Market area and Investment Banking area focused on the development of cross-selling product, in the renewal of research contracts and specialist activities, as well as strengthening activities of the pipeline already visible at the end of 2018.

Moreover, the evolution of the macroeconomic environment and the markets performance in 2019 will affect the financial results of Group.

Certification of the Consolidated Financial Statements pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments.

The undersigned, Andrea Vismara, CEO and Managing Director of Equita Group S.p.A., and Stefania Milanesi, Manager in charge of financial reporting for Equita Group S.p.A., having also taken into account the provisions of article 154-a, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, hereby certify:

-the adequacy in relation to the characteristics of the company, and

- the effective implementation of the administrative and accounting procedures for the preparation of the consolidated financial statements over the course of the year ended 31 December 2018.

The adequacy of administrative and accounting procedures employed for the preparation of the consolidated financial statements as at 31 December 2018 was assessed based on an internal audit model and monitoring of related procedure, both directly and indirectly, used for the preparation of accounting entries.

The undersigned also hereby certify that the Consolidated Financial Statements:

a)were drawn up in accordance with applicable international financial reporting standards adopted by the EU pursuant to regulation no. 1606/2002 of the European Parliament and of the European Council of 19 July 2002;

b)are consistent with the entries in the accounting books and records;

c)are suitable to provide a true and fair view of the assets, liabilities, financial position, and profits of the issuer and the undertakings included within the consolidation taken as a whole;

The Directors' Report includes a reliable analysis of the operating performance and results, as well as the financial position of the group and the companies within its consolidation scope, as well as a description of the main risks and uncertainties to which they are exposed. The Directors' Report also includes related-party transaction disclosures, pursuant to art. 154-b of Legislative Decree 58/98.

Milan, 13 March 2019

Equita Group S.p.A.

Andrea Vismara
Chief Executive Officer

Stefania Milanesi
Manager in charge of financial reporting


il
Cavall
di
Leonard
da
Vi


Leon
da
Vinci
Horse

LEONARDO'S HORSE

Leonardo's Horse (also known as Gran Cavallo) is a sculpture that was commissioned to Leonardo da Vinci in 1482 by Duke of Milan Ludovico il Moro, but never completed. It was intended to be the largest equestrian statue in the world, a monument to the duke's father Francesco

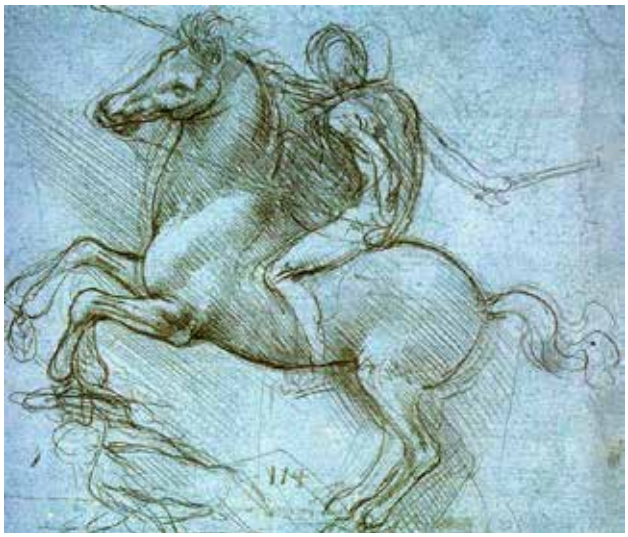
The task was colossal, not only for the expected size of the statue, but also for the intent to sculpt a horse in the act of rearing up and falling on the enemy.

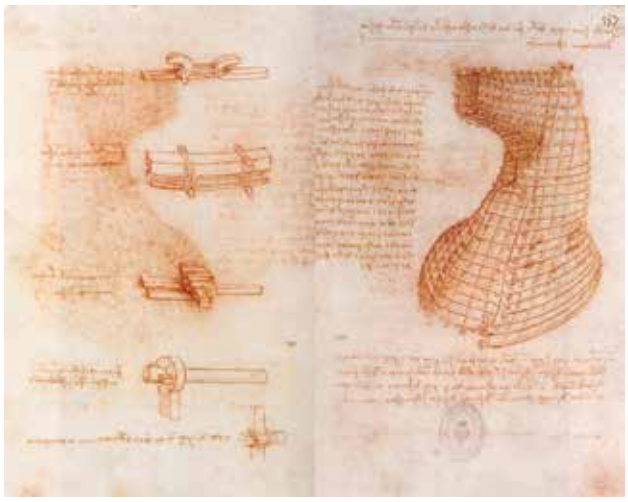
Leonardo, with this monument, wanted to create a work that obscured all the previous equestrian statues, in particular those of his master Verrocchio and Donatello, dedicated respectively to Colleoni and Gattamelata. In reality, Leonardo was more interested in the horse than in the rider; his horse had to be the greatest of all, exceeding 7 meters in height, a challenge never attempted before. It is for this reason Leonardo filled sheets and sheets of anatomy sketches, studying the horse's musculature and proportions and spending a great deal of time planning and calculating this gigantic work that, due to its size, would have required as much as 100 tons of bronze.

The colossal clay model was publicly exhibited in 1493, arousing general admiration. It was in fact "12 arms high up to the cervix" (more than seven meters). At that point the work had only to be covered with a thick layer of wax and then with "tunic" terracotta in which to pour the molten metal. Everything was ready to actually realize the masterpiece but the 100 tons of bronze necessary for the realization of the statue were no longer available, having been used to make cannons useful for the defense of the duchy of Este from the invasion of the French led by Louis XII. Leonardo abandoned the project and left Milan.

In 1506 Leonardo returned to Milan and accepted the task of the Trivulzio to build his monumental tomb surmounted by a bronze equestrian statue. Leonardo resumed his studies and again he thought of two versions with a rearing horse and a moving horse, but even this sculpture was never realized.

In 1977 Charles Dent, an American art collector and sculpture lover, became enthusiastic about the idea of realizing Leonardo's dream after five centuries. He set up the organization and managed, after more than fifteen years of commitment, to find the funds: the cost of the horse, in the end, reached almost 2.5 million dollars.





Pictures: Leonardo da Vinci's study of horses

Notes to Financial Statements

Financial statements

Balance Sheet

	Assets	31/12/2018	31/12/2017
10	Cash and cash equivalents	67	816
20	Financial assets measured at fair value through profit or loss	60,497,715	49,476,500
	a) financial assets held for trading	51,583,050	47,322,106
	b) financial assets designated at fair value		
	c) other financial assets mandatorily measured at fair value	8,914,664	2,154,394
30	Financial assets at fair value through other comprehensive income		
40	Financial assets measured at amortised cost	215,085,877	174,020,258
	a) due from banks	168,422,006	148,756,081
	b) due from financial institutions	36,392,389	22,364,013
	c) loans to customers	10,271,483	2,900,164
50	Hedging derivatives		
60	Changes in fair value of portfolio hedged items (+/-)		
70	Investments in associates and companies subject to joint control	1,538,351	1,330,919
80	Property and equipment	579,594	602,655
90	Intangible assets	15,044,030	13,654,486
100	Tax assets	3,916,842	6,315,295
	a) current	1,961,312	4,275,338
	b) deferred	1,955,530	2,039,957
110	*Non-current assets and disposal groups classified as held for sale*		
120	Other assets	1,659,992	878,749
	Total assets	**298,322,468**	**246,279,678**

Financial statements

Balance Sheet

	Liabilities and shareholders' equity (€)	31/12/2018	31/12/2017
10	Financial liabilities measured at amortised cost	184,798,886	129,136,377
	a) debts	184,798,886	129,136,377
	b) debt securities in issue		
20	Financial liabilities held for trading	8,284,500	14,625,536
30	Financial liabilities designated at fair value		
40	Hedging derivatives		
50	Value adjustment of hedged financial liabilities (+/-)		
60	Tax liabilities	2,008,866	1,243,014
	a) current	1,274,593	503,407
	b) deferred	734,273	739,607
70	Liabilities associated with assets classified as held for sale		
80	Other liabilities	14,544,410	13,979,502
90	Employees' termination indemnities	2,446,878	1,970,684
100	Allowances for risks and charges	6,168,937	6,344,994
	a) committments and guarantees given		
	b) post-employment benefits		
	c) other allowances for risks and charges	6,168,937	6,344,994
110	Share capital	11,376,345	11,376,345
120	Treasury shares (-)	(4,548,025)	(4,748,025)
130	Redeemable shares		
140	Share premium reserve	18,198,319	18,198,319
150	Reserves	44,012,875	43,137,103
160	Valuation reserves	2,074	
170	Net income (loss) (+/-)	11,028,403	11,015,831
180	Minority shareholders' equity (+/-)		
	Total liabilities and shareholders' equity	**298,322,468**	**246,279,679**

Financial statements

Income statement

	Items	31/12/2018	31/12/2017
10	Net trading income	7,184,720	9,230,158
20	Net gains (losses) on hedge accounting		
30	Gains (Losses) on disposal and repurchase of:		
	a) financial assets at amortised cost		
	b) financial assets at fair value through other comprehensive income		
	c) financial liabilities		
40	Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(122,705)	
	a) financial assets/liabilities designated at fair value		
	b) other financial assets mandatorily at fair value		
50	Commission income	54,427,799	47,134,764
60	Commission expense	(3,902,710)	(3,573,278)
70	Interest and similar income	622,222	187,398
80	Interest and similar expense	(1,394,957)	(1,338,796)
90	Dividends and similar revenues	2,778,133	2,256,326
110	**Intermediation margin**	**59,592,501**	**53,896,572**
120	Net losses/recoveries for credit risks associated with:	4,109	(98,782)
	a) financial assets measured at amortised cost	4,109	(98,782)
	b) financial assets at fair value through other comprehensive income		
130	**Net profit (loss) from financial activities**	**59,596,610**	**53,797,790**
140	Administrative expenses:	(43,786,289)	(38,373,822)
	a) personnel expenses	(28,380,690)	(27,252,750)
	b) other administrative expenses	(15,405,599)	(11,121,071)
150	Net provisions for risks and charges		
160	Net (losses) recoveries on impairment of tangible assets	(158,838)	(146,807)
170	Net (losses) recoveries on impairment of intangible assets	(165,270)	(314,333)
180	Other operating income and expense	(124,174)	402,124
190	**Operating costs**	**(44,234,571)**	**(38,432,838)**
200	Profit (loss) on equity investments	193,351	223
210	Net gains (losses) on property, plant and equipment and intangible assets measured at fair value		
220	Goodwill impairment		
230	Gains (Losses) on disposals on investments		
240	**Profit (loss) on ordinary operations before tax**	**15,555,390**	**15,365,175**
250	Income tax on ordinary operations	(4,526,987)	(4,349,344)
260	**Net Profit (loss) on ordinary operations after tax**	**11,028,403**	**11,015,831**
270	Profit (loss) of business groups in demission net taxes		
280	**Net income (loss) (+/-)**	**11,028,403**	**11,015,831**
290	**Minority profit (loss) of the year**		
300	**Parent Company's profit (loss) of the year**	**11,028,403**	**11,015,831**

Statement of comprehensive income

	Items	2018	2017
10	**Net income (loss) (+/-)**	11,028,403	11,015,831
	Other comprehensive income net of tax that will not be reclassified to profit or loss		
20	Equity instruments designated at fair value through other comprehensive income		
30	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)		
40	Hedge accounting of equity instruments designated at fair value through other comprehensive		
50	Property, plant and equipment		
60	Intangible assets		
70	Defined benefit plans	2,074	
80	Non-current assets and disposal groups classified as held for sale		
90	Portion of the valuation reserves – equity accounted investees		
	Other comprehensive income net of tax that may be reclassified to profit or loss		
100	Foreign investments hedging		
110	Foreign exchange differences		
120	Cash flow hedging		
130	Hedging instruments (non-designated items)		
140	Financial assets (other than equities) measured at fair value through other comprehensive income		
150	Non-current assets and disposal groups classified as held for sale		
160	Part of valuation reserves from investments valued at equity method		
170	Total other comprehensive income, net of tax	2,074	
180	**Total comprehensive income (Items 10 + 170)**	**11,030,477**	**11,015,831**

Statement of changes in shareholders' equity – 2018

	Amounts as at 31.12.2017	Changes in opening balances	Amounts as at 01.01.2018	Allocation of previous year's profit		Changes during the year						Comprehensive income 31.12.2018	Amounts as at 31.12.2018
							Operations on shareholders' equity						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Other		
Share capital	11,376,345		11,376,345										11,376,345
Share premium reserve	18,198,319		18,198,319										18,198,319
Reserves:	43,137,103		42,921,947										44,012,876
a) retained earnings	9,320,727	(197,004)	9,123,723	222,777					(3,013,814)		6,572,666		12,905,353
b) other	33,816,377		33,816,377						(2,708,853)				31,107,523
Valuation reserves												2,074	2,074
Equity instruments													
Treasury shares	(4,748,025)		(4,748,025)							200,000			(4,548,025)
Minority shareholders' equity													
Profit (loss) for the year attributable to minority interest													
Profit (loss) of the parent company	11,015,831		11,015,831	(222,777)	(4,232,767)						(6,560,287)	11,028,403	11,028,403
Total shareholders' equity	**78,979,572**	**(197,004)**	**78,782,568**		**(4,232,767)**				**(5,722,668)**	**200,000**	**12,379**	**11,030,477**	**80,069,991**

Statement of changes in shareholders' equity – 2017

(€)	Balance at 31.12.2016	Adjustments to opening balances	Balance at 1.01.2017	Allocation of previous year's profit		Changes during the year						Comprehensive income 2017	Balance at 31.12.2017
						Operations on shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	New share issues	Treasury share purchases	Extraordinary distribution of dividends	Changes in equity instruments	Other changes		
Share capital	19,240,000	–	19,240,000	–	–	–	1,376,345	–	–	–	(9,240,000)	–	11,376,345
Share premium reserve		–		–	–	–	18,198,319	–	–	–	–	–	18,198,319
Reserves:													43,137,103
a) revenue reserves	(91,435)	–	(91,435)	4,447,343				–	(2,380,625)	–	7,345,444		9,320,727
b) capital reserves	–	–	–	–	–	–		–	–	–	33,816,377	–	33,816,377
Valuation reserves	–	–	–	–	–	–	–	–	–	–	–	–	–
Equity instruments	–	–	–	–	–	–	–	–	–	–	–	–	–
Treasury shares	–	–	–	–	–	–	–	(4,748,025)	–	–	–	–	(4,748,025)
Minority interests	23,482,601	–	23,482,601	4,359,276	–	–	(27,841,877)	–	–	–	–	–	–
Profit (loss) for the year attributable to minority interests	4,359,276	–	4,359,276	(4,359,276)		–	–	–	–	–	–		–
Profit (loss) of the parent company	4,447,343	–	4,447,343	(4,447,343)	–	–	–	–	–	–	–	11,015,831	11,015,831
Shareholders' equity	**51,437,785**		**51,437,785**	**–**	**–**		**(8,267,214)**	**(4,748,025)**	**(2,380,625)**	**–**	**31,906,023**	**11,015,831**	**78,979,572**

Statement of cash flows

(direct method)

A	Operating activities	2018	2017
1	**Liquidity generated by operations:**	**15,934,257**	**17,079,810**
	Interest and similar income	622,222	187,398
	Interest and similar expense	(1,394,957)	(1,338,796)
	dividends and similar income	2,778,133	2,256,326
	commissions, net	50,525,089	43,561,486
	personnel expenses	(22,183,074)	(21,072,886)
	other expenses	(15,813,466)	(10,817,729)
	other income	5,927,297	8,653,355
	taxes and duties	(4,526,987)	(4,349,344)
	profit/loss resulting from operating assets divested, after taxes (+/-)		
2	**Liquidity generated/absorbed by financial assets**	**(54,625,056)**	**(3,941,011)**
	financial assets held for trading	(2,928,766)	(7,981,022)
	financial assets designated at fair value	(6,760,270)	(79,935)
	other financial assets mandatorily measured at fair value		(1,740,669)
	financial assets measured at fair value through other comprehensive income		
	financial assets measured at amortised cost	(46,553,229)	6,040,665
	other assets	1,617,210	(259,985)
3	**Liquidity generated/absorbed by financial liabilities**	**19,693,349**	**(514,638)**
	financial liabilities measured at amortised cost	32,471,719	9,103,830
	financial liabilities held for trading	(6,341,036)	565,690
	financial liabilities designated at fair value		
	other liabilities	(6,437,334)	(10,184,158)
	Liquidity generated/absorbed by operating activities	**(18,997,450)**	**12,624,162**
B	**Investing Activities**		
1	**Liquidity generated by:**		
	Sales of investments in associates and companies subject to joint control		
	collected dividends on equity investments		
	sales of property, plant and equipment		
	sales of intangible assets		
	sales of business units		
2	**Liquidity absorbed by:**	**(1,690,592)**	**(2,003,023)**
	purchases of equity investments		(1,330,919)
	purchases of property, plant and equipment	(135,778)	
	purchases of intangible assets	(654,815)	(157,936)
	purchases of business units	(900,000)	(514,169)
	Liquidity generated/absorbed by investing activities	**(1,690,592)**	**(2,003,023)**
C	**Funding activities**		
	issue/purchase of treasury shares	200,000	14,348,837
	issue/purchase of equity instruments		
	dividend distribution and other	(9,955,434)	2,066,718
	Net liquidity generated/absorbed by funding activities	**(9,755,434)**	**16,415,554**
	NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**(30,443,477)**	**27,036,691**

Reconciliation

	2018	2017
Cash and cash balances at the beginning of the year	**18,543,155**	**(8,493,563)**
Net liquidity generated/absorbed in the year	(30,443,477)	27,036,691
Cash and cash balances: foreign exchange effect		
Cash and cash balances at the end of the year	**(11,900,32)**	**18,543,155**

Notes to the Consolidated Financial Statements

Part A – Accounting principles and policies

A.1 General part

Section 1 – Statement of conformity with International Financial Reporting Standards

In application of Legislative Decree no. 38 of February 28th, 2005 these financial statements have been prepared in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board and the relative interpretations of the International Financial Reporting Standards Interpretation Committee and adopted by the European Commission as established by Regulation (EU) no. 1606/2002 of July 19th, 2002.

The financial statements for the year ended December 31st, 2018 have been prepared on the basis of the Provision of the Bank of Italy of December 22nd, 2017 "The IFRS financial statements of intermediaries other than bank intermediaries" (which fully replace that of December 9th 2016 " "Instructions for the preparation of the financial statements and reports of financial intermediaries, payment institutions, electronic currency institutions, SGRs and SIMs").

Such Instructions establish binding rules for presenting primary financial statements and the relative means by which they must be compiled, as well as the contents of the notes to the financial statements.
The IAS/IFRS international accounting standards adopted by the European Commission and effective as of December 31st, 2018 have been used in the preparation of the financial statements (including SIC and IFRIC interpretations) and a list of these is provided in these financial statements.
Certain accounts, related to the variation margin held with clearing agencies against derivative transactions and forming part of line item 120 – Other assets were reclassified in the line item 40 - Financial assets measured at amortised cost, in the preparation of the income statement for the year ended December 31st, 2018. These accounts have also been reclassified in the preparation of the figures for the year ended December 31st, 2017 for 14 Mln Euro, for comparative purposes.

The following table sets out the new international accounting standards or the amendments to accounting standards already effective together with the relative adoption regulations issued by the European Commission, which became effective in 2018.

International accounting standards adopted as of December 31st, 2018 and effective from 2018

Regulation / release	Name	Date of effect
1905/2016	IFRS 15 - Revenue from Contracts with Customers	01/01/2018 - Accounting periods beginning on or after 01/01/2018
2067/2016	IFRS 9 - Financial instruments	
1987/2017	Amendments to IFRS 15 - Revenue from Contracts with Customers	
1988/2017	Amendments to IFRS 4 - Insurance Contracts	
182/2018	Amendments to IAS 28 - Investments in Associates and Joint Ventures	
	Amendments to IFRS 1 - First adoption of International Financial Reporting Standards	
	Amendments to IFRS 12 - Disclosure of Interests in Other Entities	
289/2018	Amendments to IFRS 2 - Share-based Payment	
400/2018	Amendments to IAS 40 - Investment Property	
519/2018	IFRIC 22 - Foreign Currency Transactions and Advance Consideration	

The new accounting standards adopted mandatorily for the first time from 2018 in preparation of the consolidated financial statements of the Equita Group are rappresented by the IFRS 15 "Revenues from contracts with customers" and by the IFRS 9 "Financial Instruments". In the following paragraph will be provided more detail regards the impact of these new standards on the Consolidated financial statements.

In the following table sets out new international reporting standards or amendments to accounting standards that are already effective together with the relative adoption regulation issued by the European Commission, which must be applied from January 1st, 2018 – in the case of financial years coinciding with calendar years – or from the later starting date in other cases.

New accounting standard - IFRS 9 - Financial instrument

In July 2014 the International Accounting Standards Board (IASB) issued the new accounting standard IFRS 9 Financial Instruments with the aim of introducing new requirements regarding the way in which financial instruments should be classified and measured, the bases and methods underlying the determination and calculation of impairment losses and the hedge accounting model. The adoption procedure ended with the issuing of Commission Regulation (EU) 2016/2067 of November 22nd, 2016, published in the Official Journal of the European Union L 323 of November 29th 2016.
IFRS 9 replaces IAS 39 and is applicable for financial years beginning on or after January 1st, 2018.

The main changes regard classification and impairment and in particular:

- the classification and consequent method of measuring financial assets (with the exception of shares) is based upon the results of two tests, one on the business model and the other on the contractual features of cash flows (solely payments of principal and interest – the SPPI test). Only instruments that pass both tests can be recognized at cost otherwise the assets must be recognized at fair value through profit or loss (this category therefore becomes the residual category). There is then additionally an intermediate category (held to collect and sell) which in the same way as the present "available-for-sale" portfolio requires measurement at fair value through equity (meaning other comprehensive income);
- shares must always be measured at fair value with the possibility for the fair value effects of those not held for trading to be recognized in an equity reserve (instead of passing through profit or loss); recycling has however been eliminated, meaning that the effect of disposals is no longer recognized in profit or loss;
- the new standard passes from the use for accounting purposes of an incurred impairment model to an expected model; concentrating on expected losses, provisioning will have to be made on the whole of the portfolio (including that not impaired) and on the basis of forecast information that discounts macroeconomic factors. In particular, on initial recognition (stage 1) instruments must already take into account expected losses over a time period of 12 months (including those not impaired); on the occurrence of a significant increase in credit risk an asset is classified in the underperforming portfolio (stage 2) which must take into account expected losses over its lifetime; if there is a further deterioration the instruments moves to the non-performing portfolio (stage 3) where its final recovery amount is estimated. The expected loss must be based on point-in-time data that reflect internal credit monitoring models.

The Equita Group has applied the new IFRS model from January 1st, 2018, with the first effects of its application being on the results for the first quarter of 2018.
As previously mentioned in the Director's report, this new standard registered a capital impact of about Euro 251 thousand (before tax) as negative reserve, due to the First Time Adoption and a neutral impact of about Euro 23 thousand (before tax) concerning the reclassification of Available for Sale reserve from FVOCI reserves to F.T.A. reserves, due to the related assets reclassified in the Item "Financial assets mandatorily measured at fair value".

New accounting standard IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers, effective from January 2018, was adopted by way of the publication of Regulation 1905/2016. From its effective date IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts, together with the related interpretations.

The changes with respect to the pre-existing discipline can be summarized as follows:

- the introduction in a single accounting standard of a "common framework" for the recognition of revenue arising from the sale of goods and the provision of services;
- the adoption of a step approach for recognizing revenue (see below);
- a mechanism that can be called "unbundling" for allocating the total price of a transaction to each of the obligations (sale of goods and/or provision of services) to which the supply contract relates.
- In general terms IFRS 15 requires an entity to use an approach based on the following five steps when recognizing revenue:
- identification of the contract (or contracts) with the customer: IFRS 15 must be applied to every contract concluded with a customer and must comply with specific criteria. In certain specific cases IFRS 15 requires an entity to combine/aggregate several contracts and account for them as a single contract;
- identification of the performance obligations: a contract represents the obligation to transfer goods or services to a customer. If these goods or services are "distinct", these promises are considered to be performance obligations and are accounted for separately;
- determination of the transaction price: the transaction price is the amount of the consideration that the entity expects to be entitled to in exchange for the promised goods or services. The price provided in the transaction may be a fixed amount but at times may include variable or non-cash components;
- allocation of the price of the transaction to the performance obligations of the contract: an entity allocates the price of the transaction among the various performance obligations on the basis of the standalone selling prices of each distinct good or service contractually provided for. If a standalone selling price is not observable an entity must estimate one. The standard explains when an entity must allocate a discount or a variable component to one or more, but not all, performance obligations (or to the separate goods or services) provided in the contract;
- recognition of revenue when the performance obligation is satisfied: an entity recognizes revenue when a performance obligation is satisfied through the transfer of a good or the provision of a service, contractually provided, in favour of a customer (or when the customer obtains control of that good or service). The amount of the revenue to be recognized is that allocated to the performance obligation that was satisfied. A performance obligation can be satisfied at a certain point in time (typically the case of the transfer of goods) or over a period of time (typically the case of the provision of services). In the case of performance obligations satisfied over a period of time an entity recognizes the revenue over that period, selecting a suitable method for measuring the progress made towards the complete satisfaction of the obligation.

In practice the effects of IFRS 15 will depend on the types of contracts measured (in fact the standard introduces potential ways of making estimates in determining the transaction price with respect to the variable component) and the sector in which an entity operates (the main areas concerned appear to be the telecommunications and residential property sectors).

In this respect the Company from the preliminary analyses performed it has emerged that the accounting treatment of these categories of revenue already appears to be in line with the requirements of the new standard and as a consequence no effects of importance should arise at an accounting level.

Further detail about qualitative effects of IFRS 15 will be found in the Director's report.

International accounting standards adopted as of December 31st, 2018 with application subsequent to December 31st, 2018

The following table sets out the new international accounting standards or amendments to accounting standards adopted by the European Commission during the 2018, which could impact on Consolidated Financial Statement.

Regulation / release	Name	Date of effect
1986/2017	IFRS 16 - Leasing	01/01/2019 - Accounting periods beginning on or after 01/01/2019
498/2018	Amendments to IFRS 9 - Financial Instruments	01/01/2019 - Accounting periods beginning on or after 01/01/2019
1595/2018	IFRIC 23 - Uncertainty over Income Tax Treatments	01/01/2019 - Accounting periods beginning on or after 01/01/2019

New accounting standard IFRS 16 Leases

The new accounting standard IFRS 16, adopted in 2017 by way of Commission Regulation (EU) 2017/1986 and applicable from January 1st, 2019, introduces significant changes to the way in which lease arrangements are recognized in the financial statements of the lessee/user. In particular the main change consists of the elimination of the distinction between "finance" and "operating" leases as required by IAS 17 (which will be replaced by IFRS 16): all leasing contracts will have to be accounted for as finance leases. For lessee/user entities this will in general lead – for equal profitability and final cash flows – to an increase in the assets recognized in the financial statements (leased assets), an increase in liabilities (the amount due for the leased assets), a reduction in operating expenses (lease instalments) and an increase in interest expense (for the repayment and remuneration of the recognized liability).
The minimum disclosures to be provided by lessee entities will be at least the following:

- a subdivision between the various "classes" of leased assets
- an analysis by due date of the relative lease creditors;
- all the information potentially useful for a better understanding of the entity's activities with respect to lease contracts (for example early redemption or extension options).

On the other hand there are no particular changes, apart from the request for increased disclosures, for lessor entities, for which the current distinction between finance and operating leases remains.
The Equita Group set up preliminary analyses about the leasing contracts in order to define the potential impacts due to the introduction of this new accounting standard. From the preliminary analyses it has emerged that the potential impacts will be limited since the few number of contracts accounted for as finance leases.

International accounting standards and interpretations not yet adopted at 31.12.2018

The following table sets out the new international accounting standards or amendments to accounting standards already effective which have not yet been adopted by the European Commission.

Regulation / release	Name	Release date
IFRS 17	Insurance Contracts	18/05/2017
IAS 28	Long -term interest in Associate and Joint Ventures	12/12/2017
IFRS 3	Business Combination	12/12/2017
IFRS 11	Joint Arrangement	12/12/2017
IAS 12	Income Taxes	12/12/2017
IAS 23	Borrowing Costs	12/12/2017
IAS 19	Plan Amendment, Curtailment or Settlement	07/02/2018
(*)	Amendment to References to the Conceptual Framework in IFRS Standards	29/03/2018
IFRS 3	Definition of a Business	22/10/2018
IAS 1	Definition of Material	31/10/2018
IAS 8	Definition of Material	31/10/2018

(*) the document updates the references in Conceptual Framework in IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32

Section 2 – Basis of preparation

In accordance with article 5, paragraph 2 of Legislative Decree no. 38/2005 these financial statements have been prepared in euros as the money of account. The financial statements consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the notes to the financial statements. They are also accompanied by a directors' report on the Group's operations, its results and its balance sheet and financial position.
These Consolidated financial statements have been prepared with clarity and give a true and fair view of the Group's financial position, the results of its operations and its cash flows and are based on the application of the following general principles of preparation contained in the IASB Framework as well as in IAS 1:

Going concern – Assets, liabilities and "off balance sheet" transactions are measured on a going concern basis because the Group is expected to continue to operate in the future, based on all the available information and taking as a reference, in accordance with IAS 1 "Presentation of Financial Statements", a future period of at least but not limited to 12 months from the balance sheet date.
In preparing the financial statements management has assessed the Group's ability to continue as a going concern, arriving at the conclusion that this assumption is reasonable as there is no reasonable doubt in this respect.

Accrual basis of accounting – Income and expense are recognized when they occur, regardless of when the corresponding balances are settled, and in accordance with the matching principle.

Consistency of presentation – The presentation and classification of items are kept constant over time to ensure comparability of information, unless changes are required by an IFRS or an interpretation or if it makes the representation of the amounts more appropriate in terms of relevance and reliability. If a presentation or classification policy is changed, the new one is applied retrospectively if possible; in this case the nature and the reason for the change as well as the items concerned are stated. The formats prescribed by the Bank of Italy for the financial statements of SIMs have been used in the presentation and classification of items.

Materiality and aggregation – All significant aggregations of items with a similar nature or function are reported separately. Items having a different nature or function are presented distinctly.

Offsetting – Assets and liabilities, and income and expenses are not offset with each other unless required or permitted by an IFRS or interpretation or by the formats prescribed by the Bank of Italy for the financial statements of SIMs.

Comparative information – Comparative information for the previous year is reported for all the figures contained in the financial statements unless otherwise prescribed or permitted by an IFRS or interpretation. This also relates to information of a narrative or descriptive nature or comments when useful to an understanding of the figures.

Consistency in the application of accounting standards – The means by which items are recognized are kept constant over time in order to ensure the comparability of financial statements unless changes are required by an IFRS or an interpretation or if it makes the representation of the amounts more appropriate in terms of relevance and reliability. If there is a change in principle, the new principle is adopted retrospectively if possible; in this case the nature and the reason for the change as well as the items concerned are stated.

Use of estimates and assumptions – In the preparation of the financial statements accounting estimates and assumptions are used that are based on complex and/or objective judgements, on past experience and on assumptions that are considered reasonable and realistic on the basis of the information known when the estimates are made. The use of these estimates affects the carrying amount of assets and liabilities and disclosures about contingent assets and liabilities at the balance sheet date, as well as the amounts of income and expense for the reporting period. Actual results may differ from the estimates owing to the uncertainty that characterizes the assumptions and the conditions on which the estimates are based.

The main cases for which management is mostly required to make subjective assessments are as follows:

- the use of valuation models for measuring the fair value of financial instruments not listed on active markets;
- the quantification of personnel provisions and other provisions;
- estimates and assumptions regarding the recoverability of deferred tax assets;
- the quantification of impairment losses on loans and receivables and in general on other financial assets.

Section 3 – Subsequent events

No corporate events of importance occurred during the first few months of 2019 nor anomalous or unusual events or in any case events that may require to be taken into consideration in the preparation of these Consolidated financial statements.
In accordance with the requirements of IAS 10 it is hereby stated that the Board of Directors authorized the publication of these financial statements on March 13th, 2019.

Section 4 – Other aspects

New international accounting standards and amendments to accounting standards already effective were taken into consideration in the preparation of these financial statements.
With specific regard to paragraph 125 of IAS 1 reference should be made to the section "Risks connected with the business".

Consolidation scope and methods

These consolidated financial statements contain the results and assets and liabilities of the parent company Equita Group S.p.A., its wholly owned subsidiary Equita SIM S.p.A. and its investment in the joint venture Equita PEP Holding S.r.l..
In accordance with the combined requirements of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, the Group has consolidated its subsidiary using the line-by-line method and the investment in the entity subject to joint control using the proportionate method.

The consolidation scope has been determined on the basis of IFRS 10 Consolidated Financial Statements which states that "control" exists if the following three factors are simultaneously present:

a) the power resulting from existing rights that may be exercised for managing relevant activities, meaning the activities that significantly affect the investee's returns, when decisions on such must be taken;
b) the exposure to variable returns from the investee's activity which may be only positive, only negative or wholly positive and negative;
c) the ability of the investor to use its power on the investee to affect the amounts of the investor's returns.

In accordance with paragraph B86 of IFRS 10, the line-by-line consolidation procedure consists of the following:

a) the combination of like assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary;
b) the offsetting (elimination) of the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary (see the paragraph below for a description of the way in which the respective goodwill is accounted for on the basis of IFRS 3 Business Combinations);
c) the full elimination of intragroup assets and liabilities, equity, income, expenses and cash flows from transactions between the two entities of the Group (profits or losses resulting from intragroup transactions that are recognized as assets are eliminated in full).

On the basis of IFRS 3, the parent has measured the identifiable assets acquired and liabilities assumed at their respective fair values at the date of acquisition of the investment of 50.5% in Equita S.p.A. (first stage), completed on January 25th 2016 on obtaining authorization from the Bank of Italy.
On July 1st, 2017 Manco S.p.A., which at December 31st, 2016 represented the minority interests, was merged into the parent company. Thanks to this opertation, starting from that date, Equita Group S.p.A. became the only owner of Equita SIM S.p.A..

A.2 Part relating to financial statement items

Set out below are the accounting principles and policies adopting in preparing the consolidated financial statements for the year ended December 31st, 2018. More specifically, information is provided on the policies used in the recognition, classification, measurement and derecognition of assets and liabilities and the recognition of income and expense.

Financial assets at fair value through profit or loss (FVTPL)

a) Financial assets held for trading

Recognition

Financial assets held for trading are recognized at the trade date for debt and equity securities and at signing date for derivative contracts. Financial assets held for trading are measured at cost on initial recognition, understood as the fair value of the instrument without taking into consideration transaction costs or income that are directly attributable to the instrument, which are recognized in profit or loss.

Classification

A financial asset is recognized as held for trading if:

- it has been acquired in order to be sell shortly;
- it is part of a portfolio of financial instruments managed jointly and for which there is a strategy aimed at generate short-term profits;
- it is a derivative contract not designed as part of hedging operations, including the derivatives with positive fair value hedged in financial liabilities other than those misured at fair valued through profit or loss

Measurement

Financial assets held for trading continue to be measured at fair value after initial recognition. Any change in fair value is recognised in profit and loss.

Equity securities and the related derivative instruments for which fair value cannot be measured reliably under the above guidelines are maintained at cost.

Recognition of income and expense

Profits and losses (realized and unrealized) arising from the changes in fair value of the trading portfolio are classified under the line item 10: "Net trading income".

Derivative securities with negative fair value are recognised in line item 20: "Financial liabilities held for trading".

Derecognition

Financial assets classified in the trading portfolio are derecognized on the transfer of all the risks and rewards connected with these assets (usually at the settlement date). If part of the risks and rewards relating to the transferred asset are maintained, the asset continues to be recognized in the consolidated financial statements even if from a legal standpoint ownership of the assets has been effectively transferred.

Securities received as part of a transaction that contractually envisages the subsequent sale and securities delivered as part of a transaction that contractually envisages the subsequent repurchase have no effect on the proprietary portfolio.

c) Other financial assets mandatorily measured at fair value

Recognition

Other financial assets mandatorily measured at fair value follow the same recognition criteria described above relating the "Financial assets held for trading". For further information, see the previous paragraph.

Classification

A financial asset, not recognised as held for trading, is recognized within the other financial assets manadatorily measured at fair value when it doesn't satisfy the criteria, in terms of business model and cash flow, aimed to be classified as financial asset measured at amortised cost or at fair value through other comprehensive income.

Particularly are classified in this item:

- debt securities, securieties and loans held in a business model not aimed at collecting the cash flows (Held to collect), nor aimed both at collecting cash flows and at selling the financial assets (Held to collect & sell) and which are not financial assets held for trading;
- debt securities, securieties and loans whose cash flows not represent only the payment of principal and interest;
- units of UCIs';
- equity securities for which the Group doesn't exercise the option to recognise the financial assets at fair value through other comprehensive income.

Recognition of income and expense

Profits and losses (realized and unrealized) arising from the changes in fair value of the trading portfolio are classified under the line item 40: "Net gains (losses) on other financial assets/liabilities at fair value through profit or loss, b) other financial assets mandatorily at fair value".

Financial assets at amortized cost

Recognition and classification

This category contains financial assets (in particular loans and debt securities) that meet both of the following conditions:

- the financial asset held as part of a business model whose objective is achieved through receipt of the contractually provided cash flows ("Hold to Collect" business model); and
- the contractual terms provide for cash flows at specific dates represented solely by the repayment of the principal and the interest on the principal amount outstanding (assets that pass the "SPPI test").

More specifically, this item contains:

- loans to banks in the various technical forms that satisfy the requirements set out in the previous paragraph;
- loans to clients in the various technical forms that satisfy the requirements set out in the previous paragraph;
- debt securities that have the requisites set out in the previous paragraph.

This category also includes operating receivables connected with the lending of assets and financial services as defined in the Consolidated Banking Law and the Consolidated Finance Law (for example for the distribution of financial products and servicing activities).

Measurement

Financial assets at amortized cost are initially recognized at fair value, at the trade date for debt securities and at the disbursement date for loans, which normally corresponds to the consideration for the transaction including transaction costs or income that are directly attributable to the instrument.

The interest accruing is recognized in profit or loss, in the interest margin, using the effective interest method on a temporal basis over the contract term, meaning by applying the effective interest rate to the gross book amount of the financial asset, except in the case of:

- purchased or originated impaired financial assets. In this case the entity applies the adjusted effective interest rate for the credit to the amortized cost of the financial asset from initial recognition;
- financial assets that are not purchased or originated impaired financial assets but have become impaired financial assets at a later date. In this case the entity applies the effective interest rate to the amortized cost of the financial asset in subsequent periods.

After initial recognition at fair value, the financial assets are measured using the effective interest method as may possibly adjusted to take account of any impairment losses/reversals of impairment losses resulting from the measurement process. These impairment losses/reversals of impairment losses are recognized in profit or loss under line item 120. "Net losses (recoveries) on impairment of credit risk of: a) financial assets at amortized cost".

Reinstatements of the carrying amount arising from the passage of time are recognized in the interest margin.

When the financial asset in question is derecognized, any gains or losses are recognized in consolidated profit or loss under line item 100. "Gains (losses) from the sale or repurchase of: a) financial assets at amortized cost".

Derecognition

Loans and receivables are derecognized from the consolidated financial statements if the contractual rights on the cash flows deriving from such no longer hold or if the loans and receivables are sold, substantially transferring all the risks and rewards connected with these assets.

Equity

Classification, recognition and measurement

This item consists of interests held in jointly-controlled companies.

Entities are subject to joint control (joint ventures) if there is contractually agreed sharing of control between the Group and one or more other entities, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

If the Group holds 20 per cent or more of the voting power of an investee (including "potential" voting rights) or if – even with a lower proportion of voting rights – it has the power to participate in the investee's financial and operating policies by virtue of specific legal ties, such as being a party to a shareholders' agreement, it is considered to have significant influence over the investee (an associate). Any interests exceeding 20% in which the Group only holds property rights on a portion of the benefits of the investments, has no access to management policies and can exercise governance rights limited to the protection of property interests are not considered to represent significant influence.

If there is evidence that the carrying amount of an equity investment may be impaired, an estimate is made of the recoverable amount of the investment, taking into account the present value of future cash flows that the investment may generate, including the final disposal value of the investment.

If the recoverable amount of an investment is lower than its carrying amount the difference is recognized in profit or loss.

If the reasons for the impairment no longer hold as the result of an event occurring after the recognition of the impairment loss, the impairment loss is reversed with the amount of the reversal being recognized in profit or loss.

Derecognition

Investments are derecognized when the contractual rights to the cash flows from the asset expire or when the investment is sold, transferring substantially all the risks and rewards connected with it.

Property, plant and equipment

Recognition

Property, plant and equipment is initially recognized at cost which in addition to the purchase price includes any accessory costs directly attributable to the purchase and incurred for the asset to be capable of operating as intended.

Classification

Property, plant and equipment includes technical equipment, furniture and fittings and equipment of any other kind. Property, plant and equipment represents tangible items that are held for use in the production or supply of goods and services or for administrative purposes and which are expected to be used during more than one period.

Measurement

Property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses. At the end of each reporting period, if there is any indication that an asset may be impaired its carrying amount is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use, understood as the present value of the future cash flows expected to be derived from the asset. Any changes are recognized in profit or loss.

If the reasons that led to the recognition of an impairment loss no longer hold the impairment loss is reversed. The resulting carrying amount of the asset does not exceed that which would have been determined net of depreciation had no impairment loss been recognized for the asset in prior years.

Derecognition

An item of property, plant and equipment is derecognized on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Intangible assets

Recognition and classification

IAS 38 defines an intangible asset as an identifiable non-monetary asset without physical substance. The characteriztics required to satisfy the definition of an intangible asset are that it should be a resource:

- that is identifiable;
- that it is controlled by an entity;
- from which future economic benefits are expected to flow.

In the absence of these characteriztics, expenses incurred to acquire or generate the asset are fully recognized as a cost in profit or loss in the year in which they are incurred.

An intangible asset is recognized as such if it is identifiable and arises from contractual or other legal rights. It is measured at cost, adjusted for any accessory costs only if it is probable that the future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Measurement and derecognition

At the end of each reporting period, if there is any indication that an asset may be impaired an estimate is made of its recoverable amount. The amount of any impairment loss, recognized in profit or loss, is equal to the difference between the asset's carrying amount and its recoverable amount.

An intangible asset is derecognized on disposal or if future economic benefits are no longer expected.

Recognition of income and expense

Intangible assets are amortized on a straight line basis over their useful lives. Intangible assets with indefinite useful lives are not amortized and an impairment test is carried out on a regular basis to ensure that no impairment losses need be recognized with respect to an asset's carrying amount. Leasehold improvement costs incurred by the Company are amortized over a period not exceeding the term of the lease agreement.

Tax assets and liabilities

The Company recognizes the effects of current and deferred taxation in compliance with national fiscal legislation and on an accruals basis, consistent with the means of recognizing the income and expense that have generated such taxes and applying the tax rates that are currently applicable.
Income taxes are always recognized in profit or loss except for those relating to items directly debited or credited to equity.
The accrual for income taxes is calculated on the basis of a prudent estimate of the current tax charge and deferred tax income and expense. More specifically, deferred tax assets and liabilities are determined on the basis of the temporary differences – with no time limits – between the carrying amount of an asset or liability calculated in accordance with civil law criteria and the corresponding tax bases.

In the balance sheet current tax receivables and payables are recognized under "Current tax assets" and "Current tax liabilities" in the case in which the offsetting between receivables and payables leads to a net receivable or a net payable respectively.
Deferred tax assets are recognized to the extent that it is probable that they will be recovered, with recovery assessed on the basis of the Company's ability to generate taxable income on a continuous basis.

Deferred tax liabilities are always recognized with the sole exception of increases in the value of assets which are in tax suspension and represented by untaxed reserves, as the amount of the available reserves already taxed allows the reasonable conclusion to be drawn that no transactions will be carried out on the Company's initiative that would lead to the taxation of these reserves.

Deferred tax assets and liabilities are recognized gross and are not offset, with the former being classified as "Tax assets" and the latter as "Tax liabilities".

Deferred tax assets and liabilities are systematically assessed to take account of any changes that may have occurred in legislation or in tax rates and of any of the Company's various subjective situations.

The tax liability is adjusted as necessary to account for any costs that may arise from assessments received from the tax authorities or disputes in course with these authorities.

Employee termination indemnities (for companies with more than 50 employees)

The employee termination indemnities (TFR) reflect the liability to all employees for the indemnity payable to them on the termination of their employment contract. On the basis of Law no. 269 of December 27th 2006 (the 2007 Finance Law), in accordance with the decision taken by the employee, companies with at least 50 employees must make a mandatory monthly payment for the portion of the TFR which accrues on or after January 1st, 2007 to the supplementary pension funds listed in Legislative Decree no. 252/05 or to a specially established fund for payments to be made to employees of the private sector of the indemnity pursuant to article 2120 of the Italian Civil code (hereinafter Treasury Fund) set up at the national social security agency INPS. In the light of this there are the following situations:

- the TFR accruing from January 1st, 2007 for employees opting for the Treasury Fund and from the date of the decision taken (in compliance with the provisions of applicable law) for employees opting for the supplementary pension fund, has the nature of a defined contribution plan which does not require an actuarial calculation to be performed; the same is also true for the TFR of employees hired after December 31st, 2006 regardless of the decision taken concerning the destination of their TFR;
- the TFR accrued at the dates stated in the previous paragraph, however, remains a defined benefit plan even if the service has been fully provided. As a result of this an actuarial calculation is needed to determine the carrying amount of the liability of the TFR at December 31st, 2006, to take the following into consideration:
  - alignment of possible wage and salary increases to those prescribed by article 2120 of the Italian Civil code;
  - elimination of the pro-rata method for the services rendered as the services to be valued may be considered to be wholly completed.

The differences arising from this restatement were accounted for in 2007 as a curtailment in accordance with paragraphs 109-115 of IAS 19 which requires them to be recognized directly in profit or loss.

Allowances for risks and charges

In accordance with IAS 37 this item contains recognized liabilities of uncertain timing or amount when the following conditions occur: a) the Company has a present obligation as a result of a past event; b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Allowances are no longer recognized in the case of utilization or if the conditions for keeping them in the balance sheet no longer hold.

Accruals to allowances and any reversals of accruals are recognized in the line item "Net charges for allowances".

Financial liabilities at amortized cost

Recognition, classification and measurement

Financial liabilities at amortized cost consists in financial instruments (other than financial liabilities held for trading or measured at fair value) representing different funding instruments.

Financial liabilities at amortized cost are initially recognized at fair value, at the trade date for debt securities and at the disbursement date for loans, which normally corresponds to the consideration for the transaction including transaction costs or income that are directly attributable to the instrument. The interest accruing is recognized in profit or loss, in the interest margin, using the effective interest method on a temporal basis over the contract term.

After the initial recognition at fair value, the financial assets are measured using the effective interest method. Debt in issue are represented netted of own amounts acquired. The difference between the booking value and the amount paid is recognised in the profit and loss in line item 30 "Gains (Losses) on disposal and repurchase of c) financial liabilities". The subsequent relocation/sell is considered as a new issuing, not generating any impact in profit and loss.

Financial liabilities held for trading

Financial liabilities held for trading consist in:

- derivative contracts not recognised as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (ie an entity that sells financial assets it has borrowed and does not yet own);
- financial liabilities issued in order to repurchase them in the short time;
- financial liabilities not considered as a unique portfolio of financial instruments

Financial liabilities classified in this item are recognised at fair value, at the first recognition and subsequently.

Profit and loss realised during the trading or the repayment and those not realised concerning the fair value changes are recognised in profit and loss in line item 10 "Net trading income", including the derivatives securities related to the fair value option.

Transactions in foreign currency

Transactions in foreign currency are initially recognized in the money of account by applying the exchange rate at the date of the transaction to the amount in currency.

At each balance sheet date items in foreign currency are measured as follows: (i) monetary items are translated at the closing rate; (ii) non-monetary items that are measured in terms of historical cost are translated at the exchange rate at the date of the transaction; (iii) non-monetary items that are measured at fair value are translated at the closing rate.

Exchange differences arising from the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in previous financial statements are recognized in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognized directly in equity any exchange component of that gain or loss is recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss any exchange component of that gain or loss is recognized in profit or loss.

Treasury shares

Treasury shares are deducted from equity. Any gains or losses on the sale of treasury shares are also recognized in equity.

Revenues and costs

With reference to income and charges relating to financial assets/liabilities, it should be noted that:

- interest is recognised pro-rata temporis on the basis of the contractual interest rate or the effective interest rate if the amortised cost method is used. In the latter case, any marginal costs and incomes, considered an integral part of the return of the financial instrument, are calculated in the effective interest rate and recognised as interest. The item "interest income (or interest expense)" also includes the positive (or negative) spreads or margins accrued until the reporting date;
- dividends are recognized in the income statement when the legal right to collect them ensues, and therefore when their distribution is resolved;
- commissions related to services are recognised, on the basis of contractual agreements, with regard to the linked performance, according to IFRS 15;
- gains and losses deriving from the sale of financial instruments are recognised in the income statement when the sale is completed, based on the difference between the amount received and the book value of the instruments.
- gains and losses deriving from the sale of non financial instruments are recognised in the income statement when the sale is completed or when the performance obligation is satisfied;
- costs are recognised in the income statement on an accrual basis;
- cost incurred in order to obtain a contract with a customer, that it would not have incurred if the contract had not been obtained, are recognised as assets and will be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Revenues related to fee for services and other income recognised in line with the IFRS 15 can be recognised:

- at a specific moment, when the entity satisfies the performance obligation by transferring a promised good or service to a customer ("point in time"), or
- over the time, as the performance obligation is satisfied transferring promised good or service to a customer ("over in time").

In particular regarding the main revenues recognised by Equita Group in line with the IFRS 15, it is specified that:

- trading and distribution fees related to financial instruments are recognised "point in time" when the service is provided;
- advisory fees (in case there is no doubt on progress of works and on the related remunerations) and portfolio management fees are recognised "over the time" during the life of contract;
- revenues related to contracts containing two or more performance obligations and different model for transferring the goods or services to a customer are recognised in profit or loss in different ways ("over the time" or "point in time"). When the division is particularly burdensome and the amounts are not material, revenue is fully addressed to the main performance obligation;
- when required, the revenues to be paid to the customers are recognised in reduction of revenues from supply of goods or services and in line with the their recognition;
- potential variable revenues are estimated and recognised only if it is highly likely once the uncertainty related to the variable consideration is subsequently resolved and it will not happen a significant adjustment of amount referred to the cumulated revenues, considering all the available information known by the Group;
- potential revenues including a significant financial component are adjusted in order to consider the effect of the time value of money and to reflect the price that the customer should have paid if the payment would occur when (or as) is made the transfer of the promised good or service.This model is applied except when the expected period from the transfer of the promised good or service and the related payment is less than one year (practical expedient under the recognition in paragraph 63 of IFRS 15).

Other information

Leasehold improvements

The costs incurred for the restructuring of properties not owed by the Company are capitalized due to the fact that during the term of the lease agreement the lessee company has control of the assets and can obtain future economic benefits from them. These costs are classified as "Other assets" as prescribed by the Bank of Italy's instructions and are amortized over a period not exceeding the lease term.

Related parties

On the basis of IAS 24, related parties are:

a) parties that are directly or indirectly controlled by the Company and the relative associates and parents;
b) associates, joint ventures and the companies controlled by such;
c) key management personnel, meaning those persons having authority and responsibility for planning, directing and controlling the activities of the parent company, directly or indirectly, including directors and members of the Statutory Board of Auditors;
d) entities controlled, jointly controlled or significantly influenced by any person referred to in c);
e) close members of the family of any person referred to in c), meaning family members who may be expected to influence, or be influenced by, that person in their dealings with the Company (these may include that person's spouse or domestic partner, children, children of that person's spouse or domestic partner and dependants of that person's spouse or domestic partner) as well as the entities controlled, jointly controlled or significantly influenced by any of those persons;
f) post-employment benefit plans for the benefit of the parent company's employees or any other entity related to such;

A.3 Disclosure on reclassifications of financial assets between categories

In accordance with the requirements of paragraph 12A of IFRS 7 it is hereby stated that there have been no reclassifications of financial assets from one category to another during the year.

A.4 Fair value disclosures

The disclosures required by paragraphs 91 and 92 of IFRS 13 are provided in the following.

Disclosures of a qualitative nature

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

Market quotations are used for the determination of the fair value of listed financial instruments. In the absence of an active market, estimation methods and valuation models are used; these take into consideration all the risk factors related to the instruments and are based on information obtainable from the market, such as: valuation methods of listed instruments that have the same characteriztics, discounted cash flow calculations, option-pricing models and prices in recent comparable transactions. Equity securities and the related derivative instruments for which it is not possible to determine fair value in a reliable manner in accordance with the above guidelines are measured at cost.

A.4.2 Valuation processes and sensitivity

Estimation method and valuation models used when there is no active market assume relevance in the case of a significant level of assets or liabilities. If the assets or liabilities subject to estimation have only marginal relevance they are measured at cost.

A.4.3 Fair value hierarchy

In accordance with paragraph 95 of IFRS 13 the valuation techniques used to determine the fair value of financial assets and liabilities are categorized into three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company can access at the valuation date. Level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

A.4.4 Other information

As there are no financial assets or liabilities measured at fair value having the nature of those described in paragraphs 51, 93(i) and 96 of IFRS 13, meaning assets/liabilities for which there is a difference between fair value at initial recognition (transaction price) and the amount determined at that date by using level 2 or 3 valuation techniques for fair value, no disclosures of a quantitative nature are provided.

Disclosures of a quantitative nature

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities that are measured at fair value on a recurring basis: analysis by fair value level

Assets/liabilities measured at fair value	31/12/2018			31/12/2017		
	L1	L2	L3	L1	L2	L3
1, Financial assets measured at fair value through profit or loss	31,343,143	19,595,283	9,559,288	44,399,648	2,858,547	63,911
a) financial assets held for trading	31,343,143	19,595,283	644,624	44,399,648	2,858,547	63,911
c) other financial assets mandatorily measured at fair value			8,914,664			
2, Financial assets at fair value through other comprehensive income						
3, Hedging derivatives						
4, Property and equipment						
5, Intangible assets						
Total	**31,343,143**	**19,595,283**	**9,559,288**	**44,399,648**	**2,858,547**	**63,911**
1, Financial liabilities held for trading	7,425,638	858,862		14,625,536		
2, Financial liabilities designed at fair value						
3, Hedging derivatives						
Total	**7,425,638**	**858,862**		**14,625,536**		

Legend:
L1 = Level 1; L2 = Level 2; L3 = Level 3

During the year there were no transfers of assets or liabilities between Level 1 and Level 2 as per IFRS 13, paragraph 93c).

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: analysis by fair value level

	31/12/2018				31/12/2017			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	215,085,877			215,085,877	174,020,258			174,020,258
2. Property, plant and equipment held for investment								
3. Non-current assets and disposal groups classified as held for sale								
Total	**215,085,877**			**215,085,877**	**174,020,258**			**174,020,258**
1. Financial liabilities measured at amortised cost								
2. Liabilities associated with assets classified as held for sale								
Total								

Legend:
BV = Book Value ; L1 = Level 1; L2 = Level 2; L3 = Level 3

A.5 Disclosure on "day one profit/loss"

Day one profit/loss, governed by paragraph 28 of IFRS 7 and paragraph AG 76 of IAS 39, arises from the difference on initial recognition between the transaction price of a financial instrument and its fair value. This difference generally occurs for financial instruments that do not have an active market and is recognized in profit or loss over the useful life of the instrument. The Group does not have operations that are liable to generate significant components of income that have the nature of day one profit/loss.

Operating Segments (IFRS 8)

The Equita Group operates in one segment[1] . Infact, the nature of the different products and services offered, the structure of the management and operational processes, as well as the type of customers don't underline distinguishing factors such as to generate different risks or benefits, but they show many similar elements. Therefore all the subsidiaries, even if they operate independently under the direction and the control of Equita Group S.p.A., are recognised under an unique CGU. This CGU is fully addressed to brokering and advisoring activities and is able to generate income and cash flows not requiring different reporting ("segment reporting"). Consequently the accounting information is not submitted in separate forms per operating segments, in line with the internal reporting system and the accounting data from the latter companies which are part of the Consolidate Financial Statement prepared in accordance with the IAS/IFRS accounting standards. Similarly, information regarding revenues and non current assets are not identified per different geographical areas, as well as the information concerning extent of its reliance on its customers, because considered not relevant by the management.

1 IFRS 8 defines an operating segment as a component of an entity: a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; c) for which discrete financial information is available.

Reconciliation between the shareholders' equity and the net profit (loss) attributable to the Group to the Consolidated accounts

Amount as at 31st December 2018 in the Parent Company Balance sheet	Equity and reserves	Treasury shares	Profit (loss)
	61,194,312	**(4,548,025)**	**3,508,378**
Effettects resulting from the full consolidation of investments:			
Recognition of the investment at the full goodwill method	13,850,707		
Variation on reserves from the acquisition date	(8,265,534)		
Dividends cancellation on investments	6,898,449		(6,898,449)
Amortisation of PPA amounts post taxes			(9,225)
DTL amortised PPA	(88,322)		
Profit as at 2018 of investement			14,234,348
Effects resulting from the equity method of investments:			
Profit as at 2018 of investement			193,351
Total shareholders' equity and Profit (loss) as at 31/12/2018	**73,589,613**	**(4,548,025)**	**11,028,403**

Parte B - Information on the balance sheet

Assets

Section 1 – Cash and cash equivalents – Line item 10

This item relates to available cash, equal to Euro 67, held at subsidiary company Equita SIM.

Section 2 – Financial assets at fair value through profit or loss – Line item 20

2.1 Financial assets held for trading: by type

		31/12/2018			31/12/2017		
		L1	L2	L3	L1	L2	L3
A	**Cash assets**						
1	Debt securities	8.239.774	17.556.092	599.467	8.784.875	2.084.147	55.651
	– structured securities	6.272.725	763.368		4.049.746	245.005	
	– other debt securities	1.967.049	16.792.724	599.467	4.735.129	1.839.141	55.651
2	Equity instruments	21.065.457	2.028.072	45.157	33.417.738	771.995	8.260
3	Units in investment funds	643.289	11.119		263.498	2.405	
4	Loans						
	Total A	**29.948.520**	**19.595.283**	**644.624**	**42.466.111**	**2.858.547**	**63.911**
B	**Derivative instruments**						
1	Financial derivatives	1.394.623			1.933.537		
	1.1 Trading	1.394.623			1.933.537		
	1.2 Linked to fair value option						
	1.3 Other						
1	Credit derivatives						
	2.1 Trading						
	2.2 Linked to fair value option						
	2.3 Other						
	Total B	**1.394.623**			**1.933.537**		
	Total A + B	**31.343.143**	**19.595.283**	**644.624**	**44.399.648**	**2.858.547**	**63.911**

2.2 Derivative financial instruments

	Underlying assets / Tipe of derivatives instrumentes	31/12/2018				31/12/2017			
		Over the counter			Organised markets	Over the counter			Organised markets
		Central Counterparties	Without Central Counterparties			Central Counterparties	Without Central Counterparties		
			Netting agreements	Without Netting agreements			Netting agreements	Without Netting agreements	
1	Debt securities and interest rate risk								
	- Notional value								
	- Fair value								
2	Equity instruments and equity indices risk								
	- Notional value				47,992,773				53,922,348
	- Fair value				1,394,623				1,933,537
3	Currency and gold								
	- Notional value								
	- Fair value								
4	Loans								
	- Notional value								
	- Fair value								
5	Commodities								
	- Notional value								
	- Fair value								
6	Ohter								
	- Notional value								
	- Fair value								
	Total				**1,394,623**				**1,933,537**

Equity securities also include positions on stock indices

2.3 Financial assets held for trading: by debtor/issuer

Items/amounts	31/12/2018	31/12/2017
A CASH ASSETS		
Debt securities	**26,395,333**	**10,924,672**
a) Governments and other Public Sector Entities	1,008,623	2,441
b) Banks	18,079,776	8,197,080
c) Other financial companies	2,767,069	1,910,810
of which: insurance companies	59,992	
d) Non-financial companies	4,539,865	814,341
Equity instruments	**23,138,686**	**34,197,994**
- Banks	1,478,216	1,836,749
- Other financial companies	5,247,710	2,521,765
of which: insurance companies	1,993,459	1,203,140
- Others	16,412,760	29,839,480
Units in investment funds	**654,408**	**265,903**
Loans		
a) Governments and other Public Sector Entities		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non-financial companies		
e) Households		
Total A	**50,188,427**	**45,388,569**
B DERIVATIVES INSTRUMENTS	1,394,623	1,933,537
a) Governments and other Public Sector Entities	1,262,312	1,906,187
b) Others	132,311	27,349
Total B	**51,583,050**	**47,322,106**
Total (A+B)	**51,583,050**	**47,322,106**

2.6 Composition of "Other financial assets required to be measured at fair value"

	31/12/2018			31/12/2017		
	L1	L2	L3	L1	L2	L3
1, Debt securities						
1,1 Structured securities						
1,2 Other debt securities						
2, Equity instruments			678,260			800,000
3, Units in investment funds			8,236,404			1,354,394
4, Loans						
4,1 Repos						
4,2 Others						
Total			**8,914,664**			**2,154,394**

2.7 Other financial assets required to be measured at fair value: composition by debtor/issuer

	31/12/2018	31/12/2017
1. Equity instruments	**678,260**	800,000
of which: banks		
of which: other financial companies	434,780	800,000
of which: non financial companies	243,480	
2. Debt securities		
a) Governments and other Public Sector Entities		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non financial companies		
3. Units in investment funds	8,236,404	1,354,394
4. Loans		
a) Governments and other Public Sector Entities		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non financial companies		
e) Households		
Total	**8,914,664**	**2,154,394**

Section 4 – Financial assets at amortized cost - Line item 40

4.1 Detail of item 40 "Financial assets at amortized cost": Due from banks

Composition	31/12/2018						31/12/2017					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and stage 2	Stage 3		L1	L2	L3	Stage 1 and stage 2	Stage 3		L1	L2	L3
		Purchased or originated	Others					Purchased or originated	Others			
1. Loans	**168,370,147**		**51,859**			**168,422,006**	**148,756,081**					**148,756,081**
1.1 Deposits and current accounts	121,026,000					121,026,000	116,048,905					116,048,905
1.2 Receivables for services	21,452,638		51,859			21,504,497	6,371,393					6,371,393
- of which order execution	19,968,140		22,945			19,991,085	4,272,230					4,272,230
- of which management	851,779					851,779	1,089,031					1,089,031
- of which consultancy	551,770		28,914			580,684	1,010,132					1,010,132
- of which other services	80,949					80,949						
1.3 Repos	25,891,509					25,891,509	26,335,783					26,335,783
- of which government bonds												
- of which other debt securities												
- of which equity securities	25,891,509					25,891,509	26,335,783					26,335,783
1.4 Other loans												
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
Total	**168,370,147**		**51,859**			**168,422,006**	**148,756,081**					**148,756,081**

Legenda: L1 = Level 1; L2 = evel 2; L3 = evel 3

Repurchase transactions refer to securities lending mainly based on the shares of companies listed on the Italian market.

Deposits and current accounts include Euro 112.7 Milon pledged against a loan of Euro 115 thousand, granted by Intesa Sanpaolo S.p.A. and recognised in item 10 "Financial liabilities at amortised cost". For further detail see item 10.

As at 31 December 2018 the impairment on credits due from banks is about Euro 43 thousand (FTA related effect was about Euro 33 thousand).

4.2 Detail of item 40 "Financial assets at amortized cost": Due from financial entities

Composition	31/12/2018						31/12/2017					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and stage 2	Stage 3 Purchased or originated	Stage 3 Others	L1	L2	L3	Stage 1 and stage 2	Stage 3 Purchased or originated	Stage 3 Others	L1	L2	L3
1. Loans	**36,261,629**		**130,760**			**36,392,389**	**22,344,485**		**19,528**			**22,364,013**
1.1 Deposits and current accounts	5,152,987					5,152,987	15,617,691					15,617,691
1.2 Receivables for services	28,900,068		130,760			29,030,828	6,726,794		19,528			6,746,322
- of which order execution	27,028,544		66,840			27,095,384	5,720,611					5,720,611
- of which management	93,644					93,644						
- of which consultancy	1,620,783		63,921			1,684,704	866,208		19,528			885,736
- of which other services	157,096					157,096	139,975					139,975
1.3 Repos												
- of which government bonds												
- of which other debt securities												
- of which equity securities												
1.4 Other loans	**2,208,574**					**2,208,574**						
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
Total	**36,261,629**		**130,760**			**36,392,389**	**22,344,485**		**19,528**			**22,364,013**

Amounts due from financial entities mainly consist of receivables for order execution on behalf of financial clients as well as, to a residual extent, to liquidity relating to derivatives transactions and receivables related to the advisory activites provided.

As at 31 December 2018 the impairment on credits due from financial entities is about Euro 123 thousand (FTA related effect was about Euro 41 thousand).

4.3 Detail of item 40 "Financial assets at amortized cost": loans to customers

Composition	31/12/2018						31/12/2017					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and stage 2	Stage 3 Purchased or originated	Stage 3 Others	L1	L2	L3	Stage 1 and stage 2	Stage 3 Purchased or originated	Stage 3 Others	L1	L2	L3
1. Loans	**10,125,764**		**145,719**			**10,271,483**	**2,720,864**		**179,300**			**2,900,164**
1.1 Deposits and current accounts												
1.2 Receivables for services	9,939,262		145,719			10,084,981						
- of which order execution	8,332,849					8,332,849	384,862					384,862
- of which management												
- of which consultancy	1,493,103		145,719			1,638,822	2,336,002		179,300			2,515,302
- of which other services	113,310					113,310						
1.3 Repos												
- of which government bonds												
- of which other debt securities												
- of which equity securities												
1.4 Other loans	186,502					186,502						
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
Total	**10,125,764**		**145,719**			**10,271,483**	**2,720,864**		**179,300**			**2,900,164**

As at 31 December 2018 the impairment on loans to customers is about Euro 81 thousand (FTA related effect was about Euro 171 thousand).

As at 31 December 2017 the net impariment was about Euro 130 thousand, with recoveries for Euro 30 thousand related to a loan, previously impaired of about Euro 122 thousand in 2015.

4.4 Financial assets at amortized cost: gross value and total impairment

	Gross Value					Total accumulated impairments				Partial accumulated Write-off
	Stage 1	"of which: instruments with low credit risk exemption"	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
- Debt securities										
- Loans	211,037,980		3,823,286	472,174	215,333,440	44,925	58,803	143,835	247,563	
Total as at 31/12/2018	**211,037,980**		**3,823,286**	**472,174**	**215,333,440**	**44,925**	**58,803**	**143,835**	**247,563**	
Total as at 31/12/2017	173,821,430			198,828	174,020,259					98,781
of which: purchased or originated creditimpaired										

Section 7 – Equity investments - Line item 70

7.1 Equity investments: information on participation relationships

Jointly-controlled entities consist of Equita PEP Holding S.r.l., whose registered office in Via Turati 9, Milan; the investment is held as to 50% with Private Equity & Partners S.p.A..
The investment is accounted for using the equity method and had a carrying amount of Euro 1,538 thousand at December 31st, 2018, while its nominal value is Euro 1,350 thousand.
A description of the criteria and methods of determining the consolidation scope and of the reasons for which an investee is subject to joint control or significant influence is provided in "Part A Accounting principles and policies" to which reference should be made.

7.2 Changes in equity investments during the year

No changes occurred during the 2018 in equity investments previously acquired, nor other investement have been made during the year.

Section 8 – Property, plant and equipment – Line item 80

8.1 Business assets: composition of assets measured at cost

		31/12/2018	31/12/2017
1	Owned assets	**579,594**	602,655
	a) Land		
	b) Buildings		
	c) Office furniture and fitting	348,905	336,460
	d) Electronic systems	215,698	257,380
	e) Others	14,991	8,815
2	Leased assets		
	a) Land		
	b) Buildings		
	c) Office furniture and fitting		
	d) Electronic systems		
	e) Others		
	Total	**579,594**	**602,655**

The Company has no finance lease arrangements.

8.5 Property, plant and equipment: changes during the year

		Lands	Buildings	Office furniture and fitting	Electronic systems	Others	Total
A.	**Gross opening balance**			**520,388**	**1,537,273**		**2,057,661**
A.1	**Total net reduction in value**			(183,928)	(1,271,077)		**(1,455,006)**
A.2	**Net opening balance**			336,460	266,195		**602,655**
B.	**Increases**						
	B.1 Purchases			65,481	62,797	7,500	**135,778**
	B.2 Capitalised expenditure on improvements						
	B.3 Write-backs						
	B.4 Increases in fair value:						
	a) In equity						
	b) Through profit or loss						
	B.5 Positive exchange differences						
	B.6 Transfer from properties held for investment						
	B.7 Other changes						
C.	**Reductions**						
	C.1 Disposals						
	C.2 Depreciation			(53,036)	(105,803)		(158,838)
	C.3 Impairment losses:						
	a) In equity						
	b) Through profit or loss						
	C.4 Reduction of fair value:						
	a) In equity						
	b) Through profit or loss						
	C.5 Negative exchange differences						
	C.6 Transfer to						
	a) Property, plant and equipment held for investment						
	b) Non-current assets and disposal groups classified as held for sale						
	C.7 Other changes						
D.	**Net final balance**			**348,905**	**223,190**	**7,500**	**579,594**
	D.1 Total net reduction in value			(236,964)	(1,376,880)		**(1,613,844)**
	D.2 Gross closing balance			585,869	1,600,070	7,500	**2,193,439**
E.	**Carried at cost**			**585,869**	**1,600,070**	**7,500**	**2,193,439**

8.7 Commitments to purchase property, plant and equipment (IAS 16/74 c)

In accordance with paragraph 74 c) of IAS 16, the Company has no commitments by way of contracts or orders for the acquisition of property, plant and equipment.

Section 9 – Intangible assets – Line item 90

9.1 Composition of "Intangible assets"

	31/12/2018		31/12/2017	
	Measured at cost	Measured at fair value or	Measured at cost	Measured at fair value or
1 Goodwill	900,000	11,014,258		11,014,258
2 Other intangible assets	984,429	2,145,343	481,786	2,158,442
2.1 internally generated		2,145,343		2,158,442
2.2 other	984,429		481,786	
Total	**1,884,429**	**13,159,601**	**481,786**	**13,172,700**

Starting from the 2016 consolidated financial statements, as the result of the business reorganization and the using of IFRS 3 (purchase price allocation), using a line-by-line consolidation method and following the adoption of the purchase price allocation, goodwill of approximately Euro 11 Milion has been recognized together with the brand name and contracts of Euro 2.4 Million. Goodwill continues to be carried at E11 mn in the consolidated financial statements of Equita Group S.p.A. at December 31st, 2018, while the brand name and contracts are carried at Euro 2.1 Milion after the amortization charge for the period of Euro 0.3 Milion for the investment banking contracts. The other intangible assets consist of capitalized software expenditure.

The brand name

Following the purchase price allocation other intangible assets have been recognized in the consolidated financial statements from 2016, being the brand name Equita for Euro 2.1 Milion and investment banking contracts for Euro 0.3 Million. The brand name forms part of the marketing-related intangible assets identified by IFRS 3 as potential intangible assets that may be recognized as part of a purchase price allocation.

In this respect the term brand name is not used in the accounting standards in a restrictive sense to mean the synonym of trademark (the logo and the name), but rather as a general marketing term that defines the set of complementary intangible assets (including, in addition to the name and the logo, capabilities, consumer confidence, service quality, etc.) that combine to establish "brand equity".

The method of implicit multiples was used for the initial measurement of the brand name.

Being an intangible asset that does not have independent cash flows and a right legally protected by registration, but not having a competitive, legal or economic term that limits its useful life, in order to carry out impairment testing the brand name was considered as part of the assets used in testing the carrying amount of the goodwill of the CGU. As explained in the following, the results of the impairment testing did not lead to the need to write down the intangible.

Impairment testing of intangible assets

Under IAS 36 intangible assets with finite useful lives, intangible assets with indefinite useful lives and goodwill must be impairment tested annually. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Given the volatility of the financial markets and the values that may be obtained from them reference was made to value in use, calculated using a discounted cash flow method, to calculate the recoverable amount

In 2018, as the result of carrying out the purchase price allocation required by IFRS 3, goodwill of Euro 900 thousand has been recognized relative to the price paid to purchase the Market Making & Brokerage business (from hereby called "Retail Hub") from Nexi S.p.A..The cost of capital was calculated using the "Capital Asset Pricing Model" (CAPM). Under this model the cost of capital was determined as the sum of returns on risk-free investments and a risk premium, in turn dependent on the specific risk of the asset.

In the impairment test occurred in the 2018 was adopted as basis a period of 5 years (2019-2023), both concerning the goodwill and the intangible assets recognised after the restructuring occurred in 2016 and for the goodwill related to the purchase of "Retail Hub".

Usually the discount rate must include the cost of the various sources used to finance the asset being assessed, namely the cost of equity and the cost of debt (being the weighted average cost of capital or WACC). This was, however, estimated from an "equity side" standpoint, meaning considering only the cost of equity (Ke), consistent with the model for determining the flows that include those deriving from financial assets and liabilities.

Going into detail for the various components that contribute to the determination of the discount rate the following points are noted:

- for the risk-free rate included in the discount rate, it was considered appropriate to use the average annual return (2017) on Italian 10-year government bonds (BTPs), in this way incorporating the country risk premium for Italy;
- for the equity risk premium, meaning business risk, represented by the difference between the return from the equity market and the return from an investment in risk-free securities, the equity risk premium of the US market in the period 1960-2017 was used;
- the beta coefficient, which measures the specific risk of the individual business or operating sector, was calculating by taking a sample of international companies operating in the investment banking sector (determined on the basis of weekly observations over two years);
- the alpha coefficient, which is an expression of the specific risk premium for Equita SIM, was assumed to be 3% given the Company's size and the inherent volatility of its income.

A discount rate of 11.47% in the base scenario was obtained from the above assumptions. For terminal value an expected growth rate after the explicit forecast period of 1% was taken, in line with the expected long-term inflation rate.

The result of the impairment testing showed that at 31st December 2018 the value in use of the Equita SIM CGU exceeded its carrying amount. It was therefore not necessary to recognize any impairment losses for intangible assets with indefinite useful lives.

Sensitivity analysis

Since value in use was calculated using estimates and assumptions that may contain elements of uncertainty, in accordance with IAS/IFRS sensitivity analyses were performed that were designed to establish the sensitivity of the results obtained to changes in the main parameters and assumptions used in performing the testing.

More specifically, the effect on value in use of a 50 bps increase in the discount rate and a 50 bps decrease in the growth rate used in arriving at the terminal value was calculated. In addition, variation analyses were conducted on value in use considering a deterioration of 10% in the discounted cash flows, and as a result in the flows used to determine the terminal value.

Even using the above pejorative parameters the value in use of the Equita SIM CGU exceeded its carrying amount.

Sensitivity	Change of value in use		
CGU	Growth rate "g"-50 bps	Inflation rate -50 bps	Terminal Value -10%
EQUITA SIM	-2,95%	-4,46%	-6,22%

The rate reducing the value in use of CGU is largely above the market rates, being over 20%.

9.2 Intangible assets: changes during the year

A.	**Opening Balance**	**13,654,486**
B.	Increases	1,554,815
	B.1 Purchases	1,554,815
	B.2 Write-backs	
	B.3 Increases in fair value	
	a) In equity	
	b) Through profit or loss	
	B.4 Other changes	
C.	Reductions	(165,270)
	C.1 Disposals	
	C.2 Amortisation	(165,270)
	C.3 Write-downs	
	a) In equity	
	b) Through profit or loss	
	C.4 Reduction in fair value	
	a) In equity	
	b) Through profit or loss	
	C.5 Other changes	
D.	Closing balance	**15,044,030**

Section 10 – Tax assets and liabilities – Line item 100 and 60

10.1 Composition of "Current and deferred tax assets"

		31/12/2018	31/12/2017
A	**Current**	**1.961.312**	**4.275.338**
	1 Payments on account		823.145
	2 Tax provision		(413.736)
	3 Tax credits and withholding taxes	1.961.312	3.865.929
B	Deferred	1.955.530	2.039.957
	Total	**3.916.842**	**6.315.295**

The sub-items "Tax provision" and "Payments on account" refer to IRAP regional production tax for the year.
The sub-item "Tax credits and withholding taxes" refers to the following: a receivable for IRAP recognized following the conversion of the ACE excess of the previous year; an IRAP receivable due to the fact that the Company has no employees; a receivable for IRES corporate income tax following the adoption of the national tax consolidation scheme; and an advance for current taxes recognized following the franking of the values of trademarks and goodwill.
"Deferred tax assets" refer to the tax calculated on the temporary differences arising following the deferral of the deductibility of expenses for tax purposes with respect to the year they are recognized for accounting purposes.
The group has no deferred tax assets relating to Law no. 214/2011.

10.2 Composition of "Tax liabilities: current and deferred"

		31/12/2018	31/12/2017
A	**Current**	1,274,593	503,407
	1 Tax provision	5,475,000	
	2 Tax credits and withholding taxes	(2,682,238)	
	3 Payments on account	(1,926,606)	
	4 Other Taxes	408,437	503,407
B	**Deferred**	734,273	739,607
	Total	2,008,866	1,243,014

The item "Tax provision" relates to current IRAP, while "Other taxes" consist of the tax on financial transactions, paid over to the authorities, due on trading financial instruments on the Group's own behalf.
Deferred tax liabilities refer to the actuarial component of the employee termination indemnities and taxes on the values of brand names and contracts, partially amortized, arising as part of the 2016 purchase price allocation.

10.3 Changes in deferred tax assets (with counter-entry to profit or loss)

		31/12/2018	31/12/2017
1	Opening balance	2,034,224	2,876,818
2	Increases	858,745	969,718
	2.1 Deferred tax assets arisen during the year		
	a) Relating to previous years		
	b) Due to changes in accounting criteria	60,401	
	c) Write-backs		
	d) Others	798,344	969,718
	2.2 New taxes or increseas in tax rates		
	2.3 Other incresases		
3	Decreases	(937,439)	(1,812,312)
	3.1 Deferred tax assets derecognised during the year:		
	a) Account transfer	(937,439)	(1,503,521)
	b) Write-downs of non-recoverable items		
	c) Due to changes in accounting criteria		
	d) Others		
	3.2 Reduction in tax rates		(308,791)
	3.3 Other decreases		
	a) Conversion into tax credit under Italian Law 214/2011		
	b) Others		
4	Closing balance	1,955,530	2,034,224

10.5 Changes in deferred tax assets (with counter-entry to equity)

		31/12/2018	31/12/2017
1	Opening balance	5,733	
2	Increases		
	2,1 Deferred tax liabilities arisen during the year		
	a) Relating to previous years		
	b) Due to change in accounting criteria		
	c) Others		5,733
	2,2 New taxes or increases in tax rates		
	2,3 Other increases		
3	Decreases	(5,733)	
	3,1 Deferred tax liabilities derecognised during the year		
	a) Account transfer		
	b) Write-downs of non-recoverable items		
	c) Due to change in accounting criteria		
	d) Others		
	3,2 Reduction in tax rates		
	3,3 Other decreases	(5,733)	
4	Closing balance		5,733

10.6 Changes in deferred tax liabilities (with counter-entry to equity)

		31/12/2018	31/12/2017
1	Opening balance	739,607	67,150
2	Increases		
	2.1 Deferred tax assets arisen during the year		
	a) Relating to previous years		
	b) Due to change in accounting criteria		
	c) Others	655	47,983
	2.2 New taxes or increase in tax rates		
	2.3 Other increases		638,251
3	Decreases		
	3.1 Deferred tax assets derecognised during the year		
	a) Relating to previous years		
	b) Due to change in accounting criteria		
	c) Others	(2,116)	(5,993)
	3.2 Reduction in tax rates		(7,784)
	3.3 Other decreases	(3,873)	
4	Closing balance	734,273	739,607

Section 12 – Other assets – Line item 120

12.1 Composition of "Other assets"

		31/12/2018	31/12/2017
1	- fees paid in advance	1,001,909	172,903
	- guarantee deposits	13,654	
	- revaluations of off-balance sheet items	45,681	5,291
	- advances to suppliers		14,060
	- Leasehold improvements	598,748	686,495
	Total other assets	**1,659,992**	**878,749**

"Other assets" consist of:

- prepayments for amounts paid during the current year relating, wholly or in part, to costs to be incurred in subsequent periods;
- leasehold improvements carried out during the year to pre-existing premises and new premises leased since June 2016.

Liabilities and shareholders' equity

Section 1 – Financial liabilities at amortized cost – Line item 10

1.1 Composition of "Financial liabilities at amortised cost: Debts"

	31/12/2018			31/12/2017		
	Due to Banks	Due to Financial Institutions	Due to customers	Due to Banks	Due to Financial Institutions	Due to customers
1 Loans	**138,236,471**			**115,000,000**		
1.1 Repos						
of which on government bonds						
of which on other debt securities						
of which on equity securities						
1.2 Loans	138,236,471			115,000,000		
2 Other debts	**18,782,033**	**27,777,669**	**2,712**	**2,591,276**	**11,545,101**	
Total	**157,018,504**	**27,777,669**	**2,712**	**117,591,276**	**11,545,101**	
Fair value - level 1	157,018,504	27,777,669	2,712	117,591,276	11,545,101	
Fair value - level 2						
Fair value - level 3						
Total Fair Value	**157,018,504**	**27,777,669**	**2,712**	**117,591,276**	**11,545,101**	

At 31st December 2018 the sub-item "Loans" consisted of:

- The loan of Euro 115 Million granted by Intesa Sanpaolo;
- The amount of 3.7 Milion related to the currency loan granted by Intesa Sanpaolo;
- The overdraft facility of Euro 20 Million granted under the agreement entered into with Nexi S.p.A. used for Euro 19.4 Milion.

At 31st December 2018, the sub-item "other liabilities" includes the negative amount related to the trading in financial instruments for customers (banks, financial entities and corporate).
No amounts are due to financial promoters and there are no subordinated liabilities.

Section 2 – Financial liabilities held for trading – Line item 20

2.1 Composition of "Financial liabilities held for trading"

		31/12/2018					31/12/2017				
		L1	L2	L3	FV*	NV	L1	L2	L3	FV*	NV
A	Cash liabilities										
1	Debts	5,765,857			5,765,857	1,138,394	11,578,043			11,578,043	140,768
2	Debt securities	339,293	858,862			1,294,841					
	- Bonds	339,293	858,862			1,294,841					
	- Structured										
	- Others	339,293	858,862			1,294,841					
	- Other securities										
	- Structured										
	- Others										
	Total A	6,105,150	858,862		5,765,857	2,433,235	11,578,043			11,578,043	140,768
B	Derivatives instruments										
1	Financial derivatives	1,320,488					3,047,493				
	- Trading derivatives	1,320,488					3,047,493				
	- Linked to fair value option										
	- Others										
2	Credit derivatives										
	- Trading derivatives										
	- Linked to fair value option										
	- Others										
	Total B	**1,320,488**					**3,047,493**				
	Total (A+B)	**7,425,638**	**858,862**				**14,625,536**				

Legend:

L1 = Level 1 ; L2 = Level 2 ; L3 = Level 3 ; NV = Notional Value

FV= Fair value calculated excluding the value changes due to the change of credit worthiness of the issuer compared to the issue datee.*

Debts include short positions on securities. There are no subordinated liabilities.

2.4 "Financial liabilities held for trading": derivative financial instruments

"Underlying assets / Types of derivatives instruments"	Total as at 31/12/2018				Total as at 31/12/2017			
	Over the counter			Organised markets	Over the counter			Organised markets
	With Central Controparts	Without Central Controparts			With Central Controparts	Without Central Controparts		
		Netting agreements	Without netting agreements			Netting agreements	Without netting agreements	
1.Debt securities and interest rates								
- Notional amount								
- Fair value								
2.Equity securities and equity like securities								
- Notional amount				1,320,488				3,047,493
- Fair value				32,427,172				86,482,935
3.Gold and foreign currencies								
- Notional amount								
- Fair value								
4.Loans								
- Notional amount								
- Fair value								
5.Commodities								
- Notional amount								
- Fair value								
6.Others								
- Notional amount								
- Fair value								

Section 6 – Tax liabilities – Line item 60

See Section 10 – Tax assets.

Section 8 – Other liabilities – Line item 80

8.1 Composition of line item 90 "Other liabilities"

	31/12/2018	31/12/2017
Other liabilities:		
- debts to suppliers and other payables	13,063,828	12,832,052
- due to state agencies for social security and accident insurance contributions	359,120	304,516
- due to tax authorities for IRPEF personal income tax	691,662	588,200
- invoices issued relating to future periods	433,816	370,449
- due to the tax authorities for various taxes	(6,016)	(115,715)
- due for fiscal consolidation	2,001	
Total	**14,544,411**	**13,979,502**

The item "due to suppliers and other payables" mainly consists of amounts due to employees and the related social charges, and accruals for invoices to be received or liabilities for invoices already received but not yet settled at the balance sheet date.
The item "due to state agencies for social security and accidence insurance contributions" refers to amounts due to the agencies INPS and INAIL on fixed and variable remuneration paid/to be paid to collaborators.
The item "due to the tax authorities for various taxes" includes the VAT charged on services provided.

Section 9 – Employee termination indemnities – Line item 90

9.1 "Employee termination indemnities": changes during the year

	2018	2017
A. Opening balance	1,970,684	4,160,648
B. Increases		
B1. Provisions for the year	461,689	
B2. Other increases	28,679	(7,609)
C. Reductions		
C1. Severance payments	14,174	2,024,835
C2. Other decreases		157,520
D. Closing Balance	2,446,878	1,970,684

The other increases and other decreases relate respectively to the interest cost and actuarial gains arising from the valuation of the TFR in accordance with the requirements of IAS 19.

9.2 Other information

The employee termination indemnities was calculated with the assistance of an independent actuary who used the following assumptions:

Actuarial assumptions	31/12/2018	31/12/2017
Annual discount rate	1.130%	0.880%
Annual inflation rate	1.500%	1.500%
Annual grow TFR rate	2.625%	2.625%
Rate of advances	2.500%	2.500%
Turnover rate	4.000%	4.000%

The **discount rate** used to calculate the present value of the obligation was calculated in line with paragraph 83 of IAS 19, with reference being made at the valuation date to the Iboxx Corporate AA index with a term of 7-10 years.
The **annual revaluation of the TFR** is prescribed by article 2120 of the Italian Civil code as being 75% of the inflation rate plus 1.5 percentage points.

Sensitivity analysis

The sensitivity analysis was performed on the net defined benefit obligation (DBO) as per the previous table. The following figures represent the net defined benefit obligation for the stated changes in the actuarial assumptions.

Sensitivity analysis of the main valuation parameters for the DBO at 31.12.2018	
Turnover rate +1%	2,435,831
Turnover rate -1%	2,458,899
Inflation rate +0,25%	2,477,116
Inflation rate -0,25%	2,417,104
Discount rate +0,25%	2,399,101
Discount rate -0,25%	2,496,117

The average term of the defined benefit obligation is 8.9 years for the TFR.

Estimated future disbursements	
Year	Estimated Payment
1	162.962
2	155.463
3	148.346
4	141.482
5	224.553

Section 10 – Allowances for risks and charges – Line item 100

10.1 Composition of "Allowances for risks and charges"

		31/12/2018	31/12/2017
3	**Other allowances**	**6,168,937**	**6,344,994**
3.1	Legal and fiscal disputes		
3.2	Personnel allowances	6,168,937	6,344,994
3.3	**Others**		
	Total	**6,168,937**	**6,344,994**

The line item "Personnel allowances" consists exclusively of accruals for non-recurring forms of remuneration for services already rendered during the year but for which payment will be effected in the future.

10.2 "Post-employment benefits" and "Other allowances for risks and charges" – Changes during the year

		Provision funds	Other provisions	Total
A	Opening balance		6,344,994	6,344,994
B	**Increases**		**2,361,256**	**2,361,256**
B,1	Changes due to the passing time		2,361,256	2,361,256
B,2	Increases due to discount rate changes			
B,3	Increases due to discount rate changes			
B,4	Other increseas			
C	**Decreases**		**(2,537,313)**	**(2,537,313)**
C,1	Use during the year		(2,537,313)	(2,537,313)
C,2	Differences due to discount-rate changes			
C,3	Other changes			
D	**Closing balance**		**6,168,936**	**6,168,936**

Section 11 – Shareholders' equity– Line items 110,120, 130, 140, 150 and 160

11.1 Composition of "Share capital"

	Amount
1. Share capital	
1.1 Ordinary shares	11,376,345
1.2 Others	

Share capital consists of 50 mn ordinary shares without nominal value.

11.2 Composition of "Treasury shares"

	Amount
1. Treasury shares	
1.1 Ordinary shares	(4,548,025)
1.2 Others	

During the year the Company sold to two employers no. 200,000 treasury shares equal to Euro 200 thousand.

11.4 Composition of "Share premium reserve"

	Amount
1. Share premium reserve	
1.1 Ordinary shares	18,198,319
1.2 Others	

The share premium reserve rose as part of the IPO in 2017.

11.5 Reserves: other information

At 31st December 2018, the Reserve amount to Euro 69 Milion and consisted of the following.
Legal reserve, made pursuant to the law, at least shall to be equal to one fifth of the total amount of the Share Capital. At 31st December 2018 this reserve amount to about Euro 510 thousand;
Other revenue reserves consisted of:

- the consolidated retained earnings from the previous year, after deduction profits distribuited in 2018 by the Parent Company (Euro 6,306 thousand);
- the consolidation reserve that arose from the derecognition of the equity investment against the amount of the shareholder equity of Equita SIM (Euro 6,975 thousand);

Capital reserves include:

- the reserves arose by the merger of Manco S.p.A. (Euro 26,172 thousand related to the capital increase as share swap) reducing by merger surplus (Euro -560 thousand);
- the decresing of share capital of Partner company during the corporate restructuring (9,240 thousand);
- the negative reserve related to the IPO cost (Euro -874 thousand) and the negative reserve related to the application of the FTA in Equita SIM (Euro 161 thousand);
- The dividend payment occurred in 2018 (Euro 2,709 thousand)

Financial asset and financial liability subject to on balance sheet netting or to master netting agreements

In accordance with the IAS 32, paragraph 42 a financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when an entity:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Equita Group identifies the repurchase transaction performed by Equita SIM as the unique potential netting agreements operated by the Group. Anyway no operation performed by Equita SIM is subject to on-balance sheet netting.

Security lending transactions

Equita SIM carries out security lending operations to institutional clients. The contract entails in one side a transfer of a certain amount of specific securities and in the other side a repayment obligation due from the borrower, containing a remuneration related to loan provided.

All the operations ar collateralised, mainly as cash collateral conforming daily to the value of the financial instruments lended. Cash collaterals are rapresented in the balance sheet between loans and receivable amount due to/from customer. When the collateral is rapresented by securities, the lending is represented off-balance for the value of the securities lended. The operation fees are rapresented in the profit and loss between the item lines 50 or 60, Fee and commission income or expense. For further details related to the fees see Section C.

Assets used to guarantee own liabilities and commitments

The Group has no asset used to guarantee own liabilities and commitments.

Information about joint operations

The Group didn’t carry out joint operations during the year.

Part C -Information on the income statement

Section 1 – Net trading income – Line item 10

1.1 Composition of "Net trading income"

	Line items/Counter-entry to income and expense	Unrealized Capital Gains	Trading profits	Unrealized Capital Losses	Trading losses	Net profit (loss)
1.	Financial assets held for trading					
	1.1 Debt securities	44,858	2,136,601	(274,836)	(443,066)	1,463,557
	1.2 Equity securities and units in UCIs	197,200	19,542,148	(1,781,274)	(14,362,620)	3,595,453
	1.3 Other assets					
2.	Financial liabilities held for trading					
	2.1 Debt securities	4,460	159,571	(6,307)	(53,467)	104,257
	2.2 Payables	126,755	1,042,558	(52,185)	(2,041,059)	(923,931)
	2.3 Other liabilities					
3.	Financial assets and liabilities: exchange differences					(143,707)
4.	Financial derivatives					
	- on debt securities and interest rates	3,740	55,310	(42,380)	(229,130)	(212,460)
	- on equity securities and units in UCIs	896,424	15,023,234	(1,007,947)	(11,610,159)	3,301,552
	- on currencies					
	- others					
5.	Credit derivatives					
	of which: natural hedges related with FVO (IFRS 7, par. 9 lett.d)					
	Total	**1,273,437**	**37,959,421**	**(3,164,929)**	**(28,883,209)**	**7,184,720**

Section 4 – Net income related to other financial assets or liabilities measured at fair value through profit or loss – Line items 40

4.2 Composition of Net income related to other financial assets or liabilities measured at fair value through profit or loss: other financial assets mandatorily measured at fair value

Items/Components to income and expense	Unrealized Capital gains (A)	Realised profits (B)	Unrealized Capital losses (C)	Realised losses (D)	Net Profit (loss) [A+B-C-D]
1. Financial assets					
1.1 Debt securities					
1.2 Equity securities and units in UCIs	55,884	8,492	187,081		(122,705)
1.3 Loans					
2. Financial assets: exchange differences					
Total	**55,884**	**8,492**	**187,081**		**(122,705)**

Section 5 – Commissions– Line items 50 and 60

5.1 Composition of "Commission fees"

	31/12/2018	31/12/2017
1. Proprietary trading		
2. Execution of orders on behalf of customers	14,716,359	14,044,292
3. Placement and distribution		
- of securities	9,859,372	7,503,046
- of third party services:		
. portfolio management		
. collective management	95,348	
. insurance products		
. Others		
4. Portfolio management		
- proprietary		
- delegated by third parties	3,031,209	3,016,392
5. Receipt and transmission of orders	4,929,593	6,146,020
6. Investment advice		
7. Financial structuring advice	16,248,318	12,696,804
8. Management of multilateral trading facilities		
9. Custody and administration		
10. Currency trading		
11. Other services	5,547,600	3,728,210
Total	**54,427,799**	**47,134,764**

5.2 Composition of "Commission expenses"

	31/12/2018	31/12/2017
1. Proprietary trading	457,393	663,277
2. Execution of orders on behalf of customers	1,473,967	1,739,173
3. Placement and distribution		
- of securities		
- of third party services:		
. portfolio management		
. Other		
4. Portfolio management		
- proprietary		
- delegated by third parties		
5. Order collection		
6. Investment advice and management		
7. Custody and administration		
8. Other services	1,971,351	1,170,828
Total	**3,902,711**	**3,573,278**

Section 6 – Interests – Line items 70 and 80

6.1 Composition of "Interests and similar incomes"

		Debt securities	Loans	Other transactions	31/12/2018	31/12/2017
1	Financial assets at fair value through profit or loss					
	1.1 Financial assets held for trading	503,397			503,397	160,568
	1.2 Financial assets designated at fair value					
	1.3 Other financial assets mandatorily at fair value			19,500	19,500	
2	Financial assets at fair value through other comprehensive income					
3	Financial assets at amortised cost					
	3.1 Due from banks			4,845	4,845	25,723
	3.2 Due from financial institutions					1,106
	3.3 Due from customers					
4	Hedging derivatives					
5	Other assets			94,482	94,482	
6	Financial liabilities					
	Total	**503,397**		**118,827**	**622,224**	**187,397**

6.4 Composition of "Interests and similar expenses"

		Debt securities	Other debts	Securities	Other	31/12/2018	31/12/2017
1	Financial liabilities at amortised cost						
	1.1 Due to banks		729,577	11,076		740,652	730,652
	1.2 Due to financial institutions						690
	1.3 Due to customers						
	1.4 Debt securities in issue						
2	Financial liabilities held for trading						528,717
3	Financial liabilities designated at fair value						
4	Other liabilities				64,475	64,475	78,737
5	Hedging derivatives						
6	Financial assets	589,830				589,830	
	Total	**589,830**	**729,577**	**11,076**	**64,475**	**1,394,957**	**1,338,796**

Section 7 – Dividends and similar incomes – Line item 90

7.1 Composition of "Dividends and similar incomes"

		31/12/2018		31/12/2017	
		Dividends	Incomes	Dividends	Incomes
A	Financial assets at fair value through profit or loss				
	Financial assets held for trading	2,745,633		2,245,701	
	Other financial assets mandatorily at fair value	32,500		10,625	
B	Financial assets at fair value through other comprehensive income				
	of which: equity securities (IFRS 7, 11 A lett d)				
	- write-off				
	- held at the balance date				
C	Equity investments				
	Total	**2,778,133**		**2,256,326**	

This item includes only dividends - on securities momentarily held in portfolio for trading – and mainly received from shares.

Section 8 – Net losses/recoveries on credit risk – Line item 120

8.1 Composition of "Net losses/recoveries on credit risk related to financial instruments misured at amortised cost"

Voci / Rettifiche	Write-downs			Write-backs		Total 31/12/2018	Total 31/12/2017
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
1. Debt securities							
2. Loans	52,598		123,640	(37,866)	(142,482)	(4,109)	98,781
Total	**52,598**		**123,640**	**(37,866)**	**(142,482)**	**(4,109)**	**98,781**

In 2017 were written-off no.3 positions for a total amount of about Euro 130 thousand. This write off was offset by the total recoveries of about Euro 30 thousand.

Section 9 – Administrative expenses – Line item 140

9.1 Composition of "Personnel expenses"

	31/12/2018	31/12/2017
1. Employees		
a) wages and salaries	20,564,724	20,100,203
b) social charges	5,155,135	4,813,237
c) employee termination indemnities		
d) social charges	17,564	14,103
e) accrual to the employee termination indemnities	1,016,554	835,364
f) accrual to the retirement fund and other obligations		
- defined contribution		
- defined benefit		
g) payments to external supplementary pension funds:		
- defined contribution		
- defined benefit		
h) other expenses	589,877	533,579
2. Other personnel in service	40,204	128,620
3. Directors and statutory auditors	996,632	827,644
4. Retired personnel		
5. Expense reimbursements for employees seconded to other companies		
6. Expense reimbursements for employees seconded within the Company		
Total	**28,380,690**	**27,252,750**

9.2 Average number of employees by category

	31/12/2018	31/12/2017
Executives	22	17
Middle management	63	58
Other personnel	46	37
Total	**132**	**112**

9.3 Composition of "Other administrative expenses"

	31/12/2018	31/12/2017
1. Other administrative expenses		
a) Expenses for technology and systems	5,848,724	3,609,192
b) Expenses for info providers and communication technology	2,195,467	1,844,899
c) Rent and management of premises	1,696,946	1,572,515
d) Professional consultancy	1,848,924	1,552,944
e) Auditors' fees and Consob	205,640	186,372
f) Commercial expenses	1,505,356	1,246,640
g) Printing, stationery and periodical	70,076	45,154
h) Training courses and insurance	112,127	110,563
i) General and support services	113,690	121,524
l) Miscellaneous expenses	607,083	562,523
m) Rating expenses	1,201,563	268,745
Total	**15,405,599**	**11,121,071**

Section 10 – Net provisions for risks and charges – Line item 150

10.1 Composition of "Net provisions for risks and charges"

The net provisions to allowances mainly relates to personnel liabilities for which the timing or amount are uncertain.
No provision is made in 2018 as the required conditions did not exist.

Section 11 – Net (losses) recoveries on impairment of tangible assets – Line item 160

11.1 Composition of "Net (losses) recoveries on impairment of tangible assets"

	Depreciation	Adjustments for impairment	Reversals	Net result
1. Owned assets				
- used in the business	158,838			158,838
- held for investment				
2. Finance lease				
- used in the business				
- held for investment				
Total	158,838			158,838

Section 12 – Net (losses) recoveries on impairment of intangible assets – Line item 170

12.1 Composition of "Net (losses) recoveries on impairment of intangible assets"

	Depreciation	Adjustments for impairment	Reversals	Net result
1, Goodwill				
2, Other intangible assets				
2,1 Owned assets				
- internally generated				
- others	165,270			165,270
2,2 Finance leases				
Total	165,270			165,270

Section 13 – Other operating income and expense – Line item 180

13.1 Composition of "Other operating income and expense"

	31/12/2018	31/12/2017
1. Other operating income		
a) prior year income	107,641	543,185
b) miscellaneous income	248,116	45,605
Total income	**355,757**	**588,790**
2. Other operating expense		
a) prior year expense	110,809	63,928
b) miscellaneous expense	369,123	122,738
Total expense	**479,931**	**186,666**
Net result	**(124,174)**	**402,124**

Prior year income consists of a reimbursement of Euro 400 thousand from the National Guarantee Fund relating to the settlement for "special management".

In 2017 this item consisted of amounts due to the Subsidary Equita SIM as part of the above-mentioned settlement of the first insolvency procedure for the Burani balances. Further details of this matter can be found under the item line "4.3 Financial assets misured at amortised cost - Due from customers"

"Other operating expense – miscellaneous expense" includes the depreciation charged on leasehold improvements.

Section 14 – Profit (loss) on equity investments – Line item 200

14.1 Composition of "Profit (loss) on equity investments"

	31/12/2018	31/12/2017
Income		
Revaluations		
Gains on disposal		
Writebacks		
Other gains	193,351	223
Expenses		
Writedowns		
Losses on disposal		
Impairment losses		
Other expenses		
Total Net	**193,351**	**223**

This item consists of the effect of measuring the interest in Equita PEP Holding S.r.l. using the equity method and includes the portion of the investee's result for the period

Section 18 – Income tax for the year on ordinary operations – Line item 250

18.1 Composition of "Income tax for the year on ordinary operations"

		31/12/2018	31/12/2017
1.	Current taxes	4,391,765	4,747,382
2.	Changes in prior years' current taxes		308,791
3.	Reduction of current taxes for the year		(1,084,121)
3.bis	Reduction of current taxes for the year for tax credits pursuant to Law no. 214/2011		
4.	Change in deferred tax assets	139,095	533,803
5.	Change in deferred tax liabilities	(3,873)	(156,512)
	Taxes relating to the year	**4,526,987**	**4,349,344**

18.2 Reconciliation between theoretical tax charge and actual tax charge

	Euro / 000	Tax rate %
Gross profit for the year	15,555	
Theoretical tax charge	4,600	30%
Tax effect of costs non-deductible either wholly or in part	106	1%
Tax effect of costs income not taxed either wholly or in part	(36)	-0%
Tax effect of ACE benefits	(137)	-1%
Tax effect of other changes	(7)	-0%
Effective tax charge	4,527	29%

Part D – Other information

Section 1 – Specific references to the activities performed

Proprietary trading

	Transactions with group counterparties	Transactions with other counterparties
A. Purchases during the year		
A.1 Debt securities		2,487,170,184
A.2 Equity securities		2,447,170,000
A.3 Units of UCIs		1,687,543,280
A.4 Derivative instruments		4,077,777,203
A.5 Other financial instruments		
B. Sales during the year		
B.1 Debt securities		2,468,293,841
of which government bonds		1,046,453,100
B.2 Equity securities		2,454,998,942
B.3 Units of UCIs		1,686,472,688
B.4 Derivative instruments		3,777,779,092
B.5 Other financial instruments		

Order execution on behalf of customers

	Transactions with group counterparties	Transactions with other counterparties
A. Purchases during the year		
A.1 Debt securities		5,563,522,439
A.2 Equity securities		12,410,584,630
A.3 Units of UCIs		1,328,287,003
A.4 Derivative instruments		601,296,036
- financial derivatives		601,296,036
- credit derivatives		
B. Sales during the year		
B.1 Debt securities		3,886,432,947
of which government bonds		1,601,344,361
B.2 Equity securities		11,445,188,787
B.3 Units of UCIs		1,230,973,306
B.4 Derivative instruments		525,584,262
- financial derivatives		525,584,262
- credit derivatives		

Portfolio management

C.1 Total amount of portfolio management

	2018		2017	
	Proprietary management	Delegated management	Proprietary management	Delegated management
1. Debt securities		345,697,986		16,655,233
of which government bonds		277,177,862		
2. Equity securities		56,792,146		
3. Units of UCIs		34,024,088		
4. Derivative instruments				
- financial derivatives		1,444,338		
- credit derivatives				
5. Other assets		21,167,226		10,650,223
6. Liabilities		824,462		217,264
Total managed portfolios		458,301,322		27,088,192

C.2 Proprietary and delegated management: operations during the year

	Amount		
	Transactions with group counterparties	Transactions with other counterparties	Transactions with SIMs
A. Proprietary management			
A.1 Purchases during the year			
A.2 Sales during the year			
B. Delegated management			
B.1 Purchases during the year		497.029.070	
B.2 Sales during the year		24.607.808	

Placement activities

D.1 Placement with and without guarantee

	2018	2017
1 Securities placed with guarantee:		
1.1 Structured securities:		
- relating to transactions managed by group companies		
- relating to other transactions		
1.2 Other securities		
- relating to transactions managed by group companies		
- relating to other transactions		19,890,000
Total securities placed with guarantee (A)		19,890,000
2. Securities placed without guarantee:		
2.1 Securities placed without guarantee:		
- relating to transactions managed by group companies		
- relating to other transactions		
2.2 Other securities		
- relating to transactions managed by group companies		
- relating to other transactions	1,090,401,767	525,649,715
Total securities placed without guarantee (B)	1,090,401,767	525,649,715
Total securities placed (A+B)	1,090,401,767	545,539,715

D.2 Placement and distribution: products and services placed at group branches

	2018		2017	
	Products and services of group companies	Products and services of others	Products and services of group companies	Products and services of others
1. Debt securities		612,977,800		126,022,950
- structured securities				
- other securities		612,977,800		126,022,950
2. Equity securities		383,414,677		405,834,702
3. Units of UCIs		94,009,291		13,682,063
4. Other financial instruments				
5. Insurance products				
6. Loans				
- of which: leases				
- of which: factoring				
- of which: consumer credit				
- of which: others				
7. Portfolio management				
8. Other				

Guarantees and commitments

- At the balance sheet date the Subsidiary Equita SIM had the following commitments for lease agreements entered into with an external property company:
- lease agreement for the first floor of the property located in Milan, in Via Turati 9, for the period 1/06/2016 - 31/05/2022, renewable to 2028;
- lease agreement for the fourth floor of the property located in Milan, in Via Turati 9, for the period 1/1/2014 - 31/12/2019, renewable to 2025;
- sub-lease agreement for one office in the property located in Rome, in Via Bissolati 54, for the period 1/4/2018 - 31/03/2024, renewable to 2030.

Order receipt and transmission

E.1 Order receipt and transmission

	Amount	
	Transactions with group counterparties	Transactions with other counterparties
A. Purchase orders brokered during the year		
A.1 Debt securities		255,386,759
A.2 Equity securities		5,018,289,905
A.3 Units of UCIs		68,116,488
A.4 Derivative instruments		25,971,331
- financial derivatives		25,971,331
- credit derivatives		
A.5 Other		
B. Sales orders brokered during the year		
b.1 Debt securities		261,455,122
b.2 Equity securities		4,482,429,540
b.3 Units of UCIs		74,966,662
b.4 Derivative instruments		31,694,491
- financial derivatives		31,694,491
- credit derivatives		
b.5 Other		

Investment and financial structuring advice

There were 26 outstanding consultancy agreements for corporate activity at December 31st, 2018. There are no consultancy arrangements for investments as defined in article 1, paragraph 5f) of the Consolidated Finance Law (TUF).

Custody and administration of financial instruments

	2018	2017
- Third party securities on deposit		
- Third party securities deposited with third parties	6,573,700	
- Owned securities deposited with third parties	79,286,300	62,745,338

Section 2 – Information on risks and relative hedging policies

Introduction

As stated earlier the holding Equita Group S.p.A. is the parent of a group of SIMs while the subsidiary Equita SIM is the main operating company. For this reason, starting from this present section, information is provided mainly about Equita SIM S.p.A..

Equita Group has a system of internal controls which, on the basis of the directives issued by the Board of Directors, ensures a managed-risk environment where the growth of the Company and the generation of value are sustainable. The system of controls includes regulations, procedures and organizational structures which, in compliance with the Group's strategies, aim to achieve effective control of internal processes in order to mitigate the possible negative effects arising from unexpected events.

The Board of Directors, the Statutory Board of Auditors, the Control and Risks Committee and the Control Functions form part of the internal control system. The Risk Management Function guarantees second level controls on business risks, with reference to both to first pillar risks which relate to the core business, represented mainly by proprietary trading and trading on behalf of third parties and by operating risk, and second pillar risks which include funding, strategic and reputational risk. The Risk Manager's autonomy is ensured by a reporting line going directly to the Board of Directors.

The Risk Management Function collaborates actively with the other independent control functions in implementing and managing the procedures designed to understand and mitigate business risks.

Every year the Group overall risk profile is stimated in ICAAP/ILAAP, rapresenting the self-assessment concerning the capital adequacy and the process of governance and management related to the liquidity risk.

Equita Group draw up a Recovery Plan in accordance with the provision established by Regulatory authorities. Recovery Plan defines the strategy and the measures intended to restore the long-term economic sustainability in case of a serious deterioration of its financial situation.

Risk Management in the recovery planning identifies stress scenarios able to point out the main Group vulnerabilities and to assess their potential impact on the Group risk profile. The findings show a significant resilience.

Disclosures of a qualitative nature

General aspects

Interest rate risk

The proprietary operations carried out by Equita SIM mostly regard trading in equity securities, bonds and derivatives on equities and stock indices. Its exposure in bonds is incresead from the 2017 by purchasing the Nexi business unit related to the Brokerage & Primary Market ("Brokerage & PM") and Market Making ("MM") activities. In 2018 the debt securities portfolio stands on an average volume of about Euro 20 milion, with a short duration in the concentration rate. The connected interest rate risk was estimated to be within market risk and of modest amount.
The Risk assessment process adopted by the Group divides the proprietary portfolio in two macro-categories:"Equity and Equity Like instruments" and "Non Equity Instruments", daily subjet to different monitoring boundaries by the Management Risk. In particular, Var – Value at risk – is monitored concerning the "Non Equity" category, determined applying a 99% confidence interval over a time horizon of one day. Other than VaR limits, early warnings are put on:

- the global exposure related to the whole Portfolio;
- the exposure, the duration, the rating and the guideline for each category.

The Company also acts as a liquidity provider or specialist for corporate bonds issued by primary counterparties; this activity, though, does not generate interest rate risk as positions have been always compensated at the end of the operating day.
The Rho coefficient is used to assess the sensitivity of option premiums to changes in interest rates. Premiums (purchased or sold) are valued by using a specific interest rate curve, whose variation causes a change in the value of the options.
Once again Equita SIM had a modest number of options with terms of more than one year in its portfolio in 2018, and so the Rho coefficient, which measures sensitivity to interest rates, was included within the higher risk measurement adopted for the category "Equity and Equity Like Instruments".

Disclosures of a quantitative nature

1. Trading portfolio: by remaining term (repricing date) of financial assets and liabilities

Type	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Indefinite term
1. Assets								
1.1 Debt securities		8,391,175	2,337,985	994,353	8,848,932	2,307,121	1,353,663	987,000
1.2 Other assets			5,284		22,517		47,878	26,633,712
2. Liabilities								
2.1 Payables								
2.2 Debt securities		(65,543)	(99,965)	(101,818)	(3,648,233)	(537,396)	(19,532)	
2.3 Other liabilities								(21,587,114)
3. Financial derivatives								
3.1 With underlying security								
- Options								
Long positions		3,753,578	1,256,606	848,721	1,538			
Short positions		(5,265,808)	(1,388,115)	(388,597)				
- Other								
Long positions		3,378,476						
Short positions		(36,500)						
3.2 Without underlying security								
- Options								
Long positions		7,048,014	1,000,636	235,181				
Short positions			(98,049)	(64,873)				
- Other								
Long positions		6,692,800						
Short positions								

2. Non-current portfolio: by remaining term (repricing date) of financial assets and liabilities

Type	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Indefinite term
1, Assets								
1,1 Debt securities								
1,2 Other assets					678,260	3,423,149		4,813,255
2, Liabilities								
2,1 Payables								
2,2 Debt securities								
2,3 Other liabilities								
3, Financial derivatives								
3,1 Long positions								
3,2 Short positions								

Disclosures of a qualitative nature

1. General aspects

Price risk

As part of market risks price risk is defined as the risk of incurring losses caused by adverse changes in market parameters (volatility, price) with reference to the owned portfolio.

On the basis of the "Manual for Assuming Financial Risks" approved by the Board of Directors, Equita SIM can carry out transactions (assuming long or short positions indifferently) in all the financial instruments listed on a regulated market or an MTF, as well as in unlisted plain vanilla instruments (OTC).

In order to monitor the overall exposure the owned portfolio is divided into two macro-categories: "Equity and Equity Like Instruments" and "Non Equity Instruments", subject to different operating limits that are monitored on a daily basis by the risk management function.

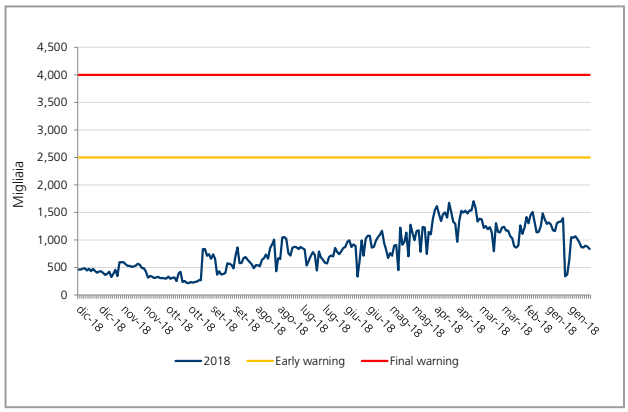
On the other hand the VaR is calculated for the "Non Equity Instruments" portfolio on the basis of a confidence interval of 99% of the distribution and over a time horizon of 1 day.

In "Equity e Equity Like" category are set up early warning based both on the main parameters (delta, gamma, theta, vega) and on concentration regarding the single name.

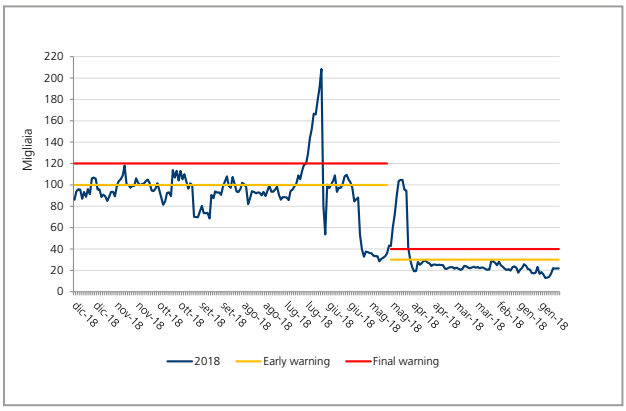
"Frontarena" position-keeping software and the Bloomberg platform are used for monitoring the above indicators, supplemented by external processing. The values obtained are then compared with the limits prescribed by the Regulation approved by the SIM's Board of Directors which envisages two different intervention levels. Exceeding the established limits leads to a warning being sent to the Risk Committee and if the conditions are met also to the Board of Directors.

A graphical representation of trends in the two main parameters during 2018 is as follows::

Equity and Equity Like - Net Worst Case/VaR



Non Equity - VaR



In addition to a summary of the above risks the Risk Matrix produced on a daily basis by the Risk Manager also reports a valuation of the profitability of the position and a comparison with various time intervals in order to monitor the risk-return ratio.

Disclosures of a quantitative nature

Equity securities and UCIs

	Trading portfolio Carrying Amount			Other Carrying Amount		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Equity securities	21,065,457	2,028,072	45,157			678,260
2. UCIs	643,289	11,119				8,236,404
2.1 Under Italian law	40,680	8,155				
- harmonized open-end						
- non-harmonized open-end						
- closed-end	40,680	8,155				
- reserved						
- speculative						
2.2 Under the laws of other EU states	602,610	2,964				8,236,404
- harmonized	525,120	2,964				4,813,255
- non-harmonized open-end						
- non-harmonized closed	77,490					
2.3 Under the laws of non-EU states						
- open-end						
- closed-end						
Total	**21,708,747**	**2,039,191**	**45,157**			**8,914,664**

2.1.3 Exchange rate risk

Disclosures of a qualitative nature

1. General aspects

The subsidiary Equita SIM does not operate on the foreign exchange market (Forex).

The main activity exposed to a foreign exchange risk is the trading activity concerning foreign currency securieties. The transactions performed by the Company are not immediately settled by purchasing the reference currency, as the financing agreement with the depositary bank allows Equita to remain open in currency; in this way the risk is restricted to the profit/loss arising from the transaction and is not extended to the whole of the countervalue.

Another kind of operation exposing to an echange rate risk is related to the difference between the initial exchange rate and the amount actually paid to suppliers or received by clients, relating to commercial invoices.

Currency balances are constantly monitored using an IT tool that is able to compare these balances with the amounts invested in securities, and are converted into Euros on reaching a specific materiality threshold. The tool is used by the Administration and by Risk Management to perform first and second level controls respectively.

Although for the internal model the risk is negligible, currency positions lead to a provision being made pursuant to the requirements of the First Pillar.

Disclosures of a quantitative nature

1. Analysis by the currency in which financial assets and liabilities are denominated

Items	Currency					
	USA Dollar	Swiss Franc	British pound	Yen	Polish Złoty	Other currencies
1. Financial assets						
1.1 Debt securities	1,641,550					
1.2 Equity securities	1,566,754	381,141				
1.3 Other financial assets	312,061					
2. Other assets	713,906	3,325,217	33,643	13,967	11,792	334,116
3. Liabilities						
3.1 Payables		91,047				
3.2 Debt securities	69,109					
3.3 Subordinated liabilities						
3.4 Other financial liabilities						
4. Other liabilities	99,032		74,042			
5. Financial derivatives						
- Options						
Long positions						
Short positions						
- Other						
Long positions						
Short positions						
Total assets	**4,234,271**	**3,706,358**	**33,643**	**13,967**	**11,792**	**334,116**
Total liabilities	**168,142**	**91,047**	**74,042**			
Difference (+/-)	**4,066,129**	**3,615,311**	**(40,400)**	**13,967**	**11,792**	**334,116**

2.2 Operating risks

Disclosures of a qualitative nature

1. General aspects

Operating risks

Equita Group has implemented controls of the operating risks to be found within each of the single areas in its subsidiary Equita SIM, extending the area of analysis. To this end the work carried out to prepare the ICAAP report was especially useful.
The estimate of the risk capital allocated to deal with risks that might lead to operating losses was carried out in accordance with the recommendations provided by the supervisory authorities and considering the SIM's net asset situation.
Despite the fact that the Company uses the basic method (BIA – Basic Indicator Approach) to estimate the regulatory capital to be allocated against potential operating risks (15% of the relevant indicator) a risk self-assessment was performed at Group level. For this purpose questionnaires were drawn up and then sent out to the single heads of the business areas with the aim of establishing the degree of risk of potential events occurring, estimating a frequency and a possible average and maximum loss. The results of these procedures were summarized in a table ("Heat Map") which for each macro-category of event graphically shows the associated level of risk.
In addition the Group collects information on operating losses ("loss data collection"), storing this in a database in order to be able to monitor the different types of risk that have occurred.
There were no changes in the methodologies used to measure risk compared to those used in 2017.

2.3 Credit risk

Disclosures of a qualitative nature

1. General aspects

Cerdit risks

As it mainly operates as an intermediary on the equity market and since lending is not one of its activities Equita SIM is not subject to the credit risk typically experienced by banks.
This category does not include "delivery" risk, meaning the risk from the physical delivery of securities (or the counter-value) at the settlement date, as this resembles a price risk, given that the SIM keeps the other side of the transaction as a guarantee of the successful outcome of the settlement (simultaneous settlement).
The following types of transaction can give rise to risks for the SIM:

- cash risk activities; Mainly referred in loan portfolios to financial entities and customers, it's referred to receivable related to services provided, current accounts with central counterparty (CC&G), current accounts with banks settling the daily operations, and the loan granted to a corporate for its activities in derivatives.
- pledged guarantees and commitments to disburse funds; related to commitments undertaken during the brokering activity or in the guarantees issued during capital increasing.

Referring to the counterparty risk, in 2018 no derivatives OTC have been token out. Referring SFT ("Securities Financing Transactions") Equita SIM operates mainly as guarantees provider and as securities buyer in operations used to cover proprietary short positions or temporary settlement fails during trading/order execution on behalf of customers. Contracts with counterparties are issued in accordance with Global Master Securities Lending Agreement (GMSLA) and require a daily collateralisation assessment. Such assessment involves the alignment between the exposure and the securities market value, other than the additional liquidity required by the nature of the agreement.
In particular, to control the cases relating to credit risk, the SIM has procedures that govern the acquisition of new customers. These procedures require a customer assessment and profiling/classification to be carried out in accordance with money-

laundering legislation and legislation enacting the European directive on financial instrument markets respectively, together with the processing of a specific credit application depending on the type of operations required, the nature of the customer and his country of residence. The credit granted can be reviewed, amended or withdrawn by the Operational Risk Committee which reviews the periodic reports controlling the established limits.

2.4 Funding risk

Disclosures of a qualitative nature

1. General aspects, processes for managing funding risk and methods for measuring funding risk

In relations with Group activities, funding risk can be associated with the following:

- mismatching risk: regards the risk in mismatching between cash-in-and-out flows concerning currency or amount (this is mainly referred to the trading activity);
- contingency risk: risk unforeseen circumstances can diverge from the financial plannig (this appears mostly in failed settlement of transactions by customer);
- market risk: when the Group, if needed, is not able to sell its assets avoiding significant losses, due to the market conditions (this is referred mainly to the proprietary trading);
- operational risk: due to a shot-down of all elettronics devices, keeping the Company from making/receinving payments;
- funding risk: occurring when banks cancel the outstanding loans and refuse to granting new ones, such as worsing to make them no longer suitable;
- margin call risk: occurring when the Group is not able to face with the margins with the clearing house (or sometimes with other counterparties) in proprietary trading or in brokerage.

In addition to using its own funds the Company finances its activities by using a whole series of credit facilities, in this way diversifying funding risk on the basis of its operating needs. The Company keeps a principal line with the bank which is constantly activated and the bank also provides custody and settlement services.
Business liquidity is closely monitored by way of a daily report distributed to the various departments of the Company. Trends during the year pointed to risk profiles that were lower than the past and the fact that interest rates remained at extremely low levels reduced the economic effect arising from funding activities.

Analysing the market risk component shows that statistically the Company only invests in listed financial instruments and is provided with indicators that monitor the concentration of assets also on the basis of an immediate need for funds; in addition, proprietary trading has left full availability to deal with normal third party settlement activity and any contingent needs.
Company has a Revival Plan which contains the following indicators for monitoring liquidity on a daily basis. "Gross Available Liquidity" which monitors the availability of total cash and the total availability deriving from credit facilities, regardless of whether these have been actually activated or not. Given that to be utilized certain credit facilities require collateralization with the pledging of a more than a proportionate portfolio of financial instruments, the absence of pledgeable instruments makes the residual portion of the credit facility unusable. To deal with this particular operating situation a second indicator "Net Available Liquidity" has been introduced which is calculated as the sum of liquidity held in current accounts, the credit still available on facilities not requiring pledges regardless of whether these have been actually activated and the lower of pledgeable securities and the liquidity collateralised on pledged facilities.

Disclosures of a qualitative nature

Temporal analysis by residual contractual term of financial assets and liabilities

Type	On demand	From 1 day to 7 days	From 8 to 15 days	From 16 to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years	Indefinite term
Cash assets											
A.1 Government bonds									48,895	41,216	
A.2 Other debt securities			143,887	71,115	1,022,069	661,350	1,343,056	10,246,091	6,819,126	3,836,424	987,000
A.3 Loans								2,395,076			
A.4 Other assets	135,067,700	55,419,319	25,891,509		5,200,988	53	5,231	693,480	7,297	47,878	25,479,419
Cash Liabilities											
B.1 Due to:											
- Banks	138,236,471	46,562,414									
- Financial institutions											
- Customers											
B.2 Debt securities											
B.3 Other liabilities					(5,015)	(49,960)	(171,881)	(3,625,606)	(63,098)	(556,928)	
Off balance sheet transactions											(6,773,407)
C.1 Financial derivatives with equity swap											
Long positions											
Short positions											
C.2 Financial derivatives without equity swap											
Long positions				1,467,463	5,664,591	1,256,606	848,721	1,538			
Short positions				(2,422,546)	(2,879,761)	(1,388,115)	(388,597)				
C.3 Loans to be received											
Long positions	501,984										
Short positions	(14,813,707)										

Section 3 – Equity disclosures

3.1 Equity

3.1.1 Disclosures of a qualitative nature

Equity consists mainly of fully subscribed and paid-up share capital, capital reserves and the share premium reserve.
In addition to retained earnings, revenue reserves consist of the legal reserve, the bylaws reserve and a part of the merger surplus.

3.1.2 Disclosures of a quantitative nature

3.1.2.1 Equity: composition

	31/12/2018	31/12/2017
Share capital	**11,376,345**	**11,376,345**
Share premium reserve	18,198,319	18,198,319
Other Reserves	44,012,875	43,137,103
- revenue reserves	12,905,353	9,320,727
a) legal reserve		
b) statutory reserve		
c) treasury shares		
d) other	12,905,353	9,320,727
- other	31,107,523	33,816,377
- other (FTA)		
a) Treasury shares		
b) other		
Treasury shares	(4,548,025)	(4,748,025)
Valuation reserves	2,074	
- Property, plant and equipment		
- Intangible assets		
- Foreign investment hedges		
- Cash flow hedges		
- Foreign exchange differences		
- Non-current assets held for sale		
- Special revaluation laws		
- Actuarial gains/losses on defined benefit pension plans	2,074	
- Portion of the valuation reserves – equity accounted investees		
Equity instruments		
Profit (loss) for the year	11,028,403	11,015,831
Minority interests in equity		
Total	**80,069,991**	**78,979,573**

3.2 Own funds and regulatory coefficients

3.2.1 Own funds

3.2.1.1 Disclosures of a qualitative nature

1. Common Equity Tier 1 – CET 1

CET 1 capital consists of CET 1 instruments (€11,376,344) and of the share premium reserve (€18,198,319). The other accountable reserves amount to €44,004,559. Deductions consist of: i) intangible assets, other than goodwill for €3,129,772; ii) goodwill for €11,914,258; iii) own shares for €4,548,025; and iv) non-significant investments in instruments issued by financial institutions for €2,488,194.

2. Additional Tier 1 – AT1

Not applicable.

Tier 2 – T2

Not applicable.

3.2.1.2 Disclosures of a quantitative nature

3.2.2 Capital adequacy

3.2.2.1 Disclosures of a qualitative nature

The Company monitors the adequacy of its equity using the methods and tools described in its ICAAP (Internal Capital Adequacy Assessment Process) report.

3.2.2.2 Disclosures of a quantitative nature

	Common Equity Tier 1	31/12/2018
1	Equity instruments and related share premium reserves	29,574,664
	of which: CET1 instruments	29,574,664
3	Other accumulated comprehensive income (and other reserves)	44,004,559
6	CET1 instruments before regulatory adjustments	73,579,223
7	Additional value adjustments (negative amount)	(70,169)
8	Intangible assets (net of related tax liability) (negative amount)	(14,409,653)
16	Own CET1 instruments held directly or indirectly by the reporting institution (negative amount)	(4,548,025)
18	CET1 instruments of financial sector entities where the institution has a significant investment(amount above 10 % threshold the short positions eligible) (negative amount)	(2,488,743)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(21,516,590)
29	Common Equity Tier 1 (CET1)	52,062,633
44	Additional Tier 1 (AT1)	
45	Tier 1 capital (T1 = CET1 + AT1)	52,062,633
58	Tier 2 capital (T2)	
59	Total Capital (TC = T1 + T2)	52,062,633
60	Total of Risk Weighted Assets	181,590,895
61	Common Equity Tier 1 (expressed as a percentage of the total risk exposure amount)	28,67%
62	Tier 1 capital (expressed as a percentage of the total risk exposure amount)	28,67%
63	Total Capital (expressed as a percentage of the total risk exposure amount)	28,67%

Section 4 – Analytical schedule of comprehensive income

	Items	2018	2017
10	**Profit (loss) for the year**	11,028,403	11,015,831
	Other comprehensive income not reclassified to profit or loss		
20	Equity instruments designated at fair value through other comprehensive income:		
	a) fair value changes		
	b) tranfers to other shareholders' equity items		
30	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes		
	a) fair value changes		
	b) tranfers to other shareholders' equity items		
40	Hedge accounting of equity instruments measured at fair value through other comprehensive income:		
	a) fair value change (hedged instrument)		
	b) fair value change (hedging instrument)		
50	Property, plant and equipment		
60	Intangible assets		
70	Defined benefit plans	2,729	
80	Non-current assets and disposal groups classified as held for sale		
90	Part of valuation reserves from investments valued at equity method		
100	Tax expenses (income) relating to items not reclassified to profit or loss	(655)	
	Other comprehensive income reclassified to profit or loss		
110	Foreign investments hedging		
	a) fair value changes		
	b) reclassification to profit or loss		
	c) other changes		
	of which: net position		
120	Foreign exchange differences		
	a) fair value changes		
	b) reclassification to profit or loss		
	c) other changes		
130	Cash flow hedging		
	a) fair value changes		
	b) reclassification to profit or loss		
	c) other changes		
	of which: net position		
140	Hedging instruments (non-designated items)		
	a) fair value changes		
	b) reclassification to profit or loss		
	c) other changes		
150	Financial assets (different from equity instruments) at fair value through other comprehensive income:		
	a) fair value changes		
	b) reclassification to profit or loss		
	- impairment losses		
	- gains/losses on disposals		
	c) other changes		

Items	2018	2017
160 Non-current assets and disposal groups classified as held for sale		
a) fair value changes		
b) reclassification to profit or loss		
c) other changes		
170 Part of valuation reserves from investments valued at equity method		
a) fair value changes		
b) reclassification to profit or loss		
- impairment losses		
- gains/losses on disposals		
c) other changes		
180 Tax expenses (income) relating to items reclassified to profit or loss		
190 Total other comprehensive income	2,074	
200 Other comprehensive income (Item10+190)	**11,030,477**	**11,015,831**
210 Minority consolidated other comprehensive income		
220 Parent Company's consolidated other comprehensive income		

Section 5 – Related party transactions

Hereafter are detailed the information about remuneration of key personnel management and the transactions with related parties, as defined by IAS 24.

5.1 Disclosures on remunerations of key personnel management

Key management personnel, meaning those persons having authority and responsibility for planning, directing and controlling the activities of the parent company, directly or indirectly, including directors and members of the Board of Statutory Auditors.

- Remunerations paid to "Key management personnel", directors and member of the Board of Staturory Auditors: €3,583,334;
- Short term benefits €2,847,000.

5.2 Loans and guarantees provided to Directors or members of the Board of Statutory Auditors

There are no operations to report.

5.3 Disclosures on transactions with related parties

Transactions with related parties, as defined by IAS 24 and compliant with the requirements concerning related parties issued by Borsa Italiana in May 2012, and by Consob Regulation no. 17221, art.4, issued on 12 March 2010 (and its subsequent amendments) concerning operations mainly with commercial and financial nature.
In 2018 there is no transaction with related parties other than the intra-group operations.

Section 6 – Disclosures on structured entities

There are no disclosures to report in this respect.

Section 7 – Other disclosures

Disclosure of audit fees and fees for services other than audit

As required by article 149 – duodecies of the Issuers' Regulation adopted by Consob by way of Resolution no. 11971/1999 the following table sets out the fees relating to the year for services provided to the Company by the audit firm and other entities belonging to the audit firm's network:

Items	Equita Group	Subsidiaries
Auditing	139,108	37,820
Certificate services	300,000	
Other services:	15,000	38,000
TOTAL	**454,108**	**75,820**

Excluding VAT.

Public disclosures

Equita Group has a corporate website www.equita.eu to make public disclosure of the information required by part eight, Titles I and II of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26th, 2013 on prudential requirements for credit institutions and investment firms.

p. il Consiglio di Amministrazione
The Chief Executive Officer
Andrea Vismara

Milan, March 13th, 2019

Attachment 1 - Reconciliation statement First Time Adoption IFRS 9

Reconciliation between the Balance Sheet at 31 December 2017 and Balance Sheet at 1 °January 2018 (which incorporates the new valuation and impairment rules of IFRS 9)

	Asset	31/12/2017	Impact of IFRS 9 Transition Classification and Measurment	Impairment	1/01/2018
10	Cash and cash equivalents	816			816
20	Financial assets measured at fair value through profit or loss	49,476,500			49,476,500
	a) financial assets held for trading	47,322,106			47,322,106
	b) financial assets designated at fair value				
	c) other financial assets mandatorily measured at fair value	2,154,394			2,154,394
40	Financial assets measured at amortised cost	174,020,259		(251,672)	173,768,587
	a) due from banks	148,756,081		(33,469)	148,722,612
	b) due from financial institutions	22,364,013		(40,711)	22,323,303
	c) loans to customers	2,900,164		(177,492)	2,722,672
70	Equity Investments	1,330,919			1,330,919
80	Property, plant and equipment	602,655			602,655
90	Intangible	13,654,486			13,654,486
100	Tax assets	6,315,295		54,628	6,375,696
	a) current	4,275,338			4,275,338
	b) deferred	2,039,957		54,628	2,100,359
120	Other assets	878,749			878,749
	Total Assets	**246,279,679**		**(197,004)**	**246,088,409**

	Liabilities and shareholders' equity (€)	31/12/2017	Classification and Measurment	Impairment	1/01/2018
10	Financial liabilities measured at amortised cost	129,136,377			129,136,377
	a) of which debts	129,136,377			129,136,377
20	Financial liabilities held for trading	14,625,536			14,625,536
60	Tax liabilities	1,243,014			1,243,014
	a) current	503,407			503,407
	b) deferred	739,607			739,607
80	Other liabilities	13,979,502			13,979,502
90	Employees' termination indemnities	1,970,684			1,970,684
100	Allowances for risks and charges	6,344,994			6,344,994
	b) post-employment benefits				
	c) other allowances for risks and charges	6,344,994			6,344,994
110	Share capital	11,376,345			11,376,345
120	Treasury shares (-)	(4,748,025)			(4,748,025)
140	Share premium reserve	18,198,319			18,198,319
150	Reserves	43,137,103		(197,004)	42,945,832
160	Valuation reserves				
170	Net income (loss) (+/-)	11,015,831			11,015,831
	Total liabilities and shareholders' equity	**246,279,679**		**(197,004)**	**246,088,409**

Effects coming from the first application of the IFRS 9 standard
The application of IFRS 9 at the transition date led to the reclassification of the previously classified portfolio among the "assets available for sale" in accordance with IAS 39, to the category "Mandatory financial assets valued at fair value" represented by item 20 C) of Bank of Italy schemes, with the reallocation of the former AFS reserve to FTA reserve (reserve of profits), with no impact on equity.
The loan portfolio saw the application of the impairment method based on expected losses, consequently the different measurement metrics there was an increase in gross write-downs applied to the trade receivables portfolio for around € 251 thousand. This evaluation led to a deferred tax assets. The net effect associated with impairment on loans generated a negative impact on equity,recorded in the FTA reserve.

Annual report Equita Group S.p.A.

Corporate Governance

Board of Directors

Francesco Perilli	Chairman
Andrea Vismara	Chief Executive Officer
Thierry Porté	Vice Chairman (Independent)
Stefano Lustig	Board Member (Executive)
Sara Biglieri	Board Member (Non-executive)
Michela Zeme	Board Member (Independent)
Massimo Ferrari	Board Member (Independent)

Board of Statutory Auditors

Franco Fondi	Chairman
Laura Acquadro	Effective Statutory Auditor
Paolo Redaelli	Effective Statutory Auditor
Andrea Polizzi	Alternate Statutory Auditor
Filippo Annunziata	Alternate Statutory Auditor

Audit Firm

KPMG S.p.A.

Manager charged with preparing the Company's financial statements

Stefania Milanesi

Corporate Information

Registered Office:	Via Turati 9 - 20121 Milan
Tax ID and VAT Code:	09204170964
Identification No.:	20070.9
Share Capital, fully paid-up	€11,376,344.50
Milan Corporate Registry No.	2075478
Listing Market	MTA Borsa Italiana S.p.A. - STAR segment
Ticker Symbol	BIT: EQUI

Equita Group S.p.A.

Telephone:	+39 (02) 6204.1
Email adress:	info@equita.eu
Corporate Website:	www.equita.eu

Dear Shareholders,

The income statement for the year ended December 31, 2018 recorded a net profit of € 3,508 thousand, in decrease 2017 (€ 4,455 thousand).

This result was generated mainly by dividends paid by the subsidiary Equita SIM and offset by costs overtime resulting from the transition to the STAR segment and from costs related to employees.

For the year 2018, Equita Group proposes to its Shareholders a dividends distribution for an amount of € 9,999,434.50 (€ 0.22 € / share), in line with the previous year.

Macroeconomic backdrop

Global economic expansion continued in 2018 but began to show signs of slowing down in several developed and emerging countries in the second half of the year. In spite of the USA/China trade stand-off, as well as early warning signals pointing to weakening industrial output outside the United States, and an overall decline in investor confidence in financial markets, the latest projections from the International Monetary Fund ("IMF") on global economic growth in 2018 confirm the October forecast of +3.7% - which is essentially in line with the +3.8% recorded in 2017. Nonetheless, given the signs of a cyclical deterioration in the second half of 2018, growth estimates have been cut for several countries, and Europe in particular is one of the areas hit hardest by the worsening economic trend. Indeed, whereas at the end of 2017 the European Central Bank ("ECB") projected 2018 Eurozone GDP growth of 2.3% in real terms, the latest report issued in December cut this forecast to 1.9%. One of the established causes is the slump in car manufacturing output in the third quarter, particularly in Germany, on account of delays caused by the Worldwide Harmonised Light Vehicle Test Procedure and a slowdown in domestic demand in some countries.

In Italy, following a general election on 4th March 2018, a new government formed by a coalition of the two winning political forces took office. From a political standpoint, the year was marred by clashes between the Italian government and the EU over Italy's 2019 Budget plans, which now include a deficit of 2.04% of GDP, thus ending the reduction under-way since 2014. Nonetheless, following some adjustments to the budget, which originally included a deficit of 2.4% of GDP, the European Commission decided not to impose sanctions on Italy. From an economic point of view, after a -0.1% drop in GDP in the third quarter, economic indicators pointed to a further reduction in the fourth quarter, marking the start of a "technical recession". In addition to global factors, the weakening economy was caused by falling domestic demand, particularly investments and, to a lesser extent, household spending. The Bank of Italy estimate is for GDP growth of 0.9%, i.e. 0.3 points lower than the previous forecast.

As for monetary policy, the Federal Reserve System ("FED") raised interest rates four times while the ECB, despite leaving rates unchanged and postponing the first hike until after the

summer of 2019, ended net asset purchases in December. The ECB also confirmed that its monetary policy will continue to be sufficiently accommodative to ensure price stability. 10-year Bund yields tumbled by 23bps in 2018. This drop was due to several factors:

- following a spike in early February (0.767% on 2 February), the rising tension between the Italian government and the European Commission in the first half of the year;
- a slowdown in global economic growth and the trade war between the USA and China in the second half of the year, caused Bund yields to shrink.

The BTP/Bund spread widened by 88bps to 250bps at the end of 2018, after having settled at over 200bps as of May and having touched the 350bps mark in October. This surge was caused by growing uncertainty as to the sustainability of Italy's public deficit in light of the government's expansive budget policies to fund current spending by continuing to borrow money. However, the risk premium on sovereign bonds fell sharply in the last quarter after the Italian government and the European Commission reached a compromise over Italy's budget.

As for the stock markets, following a 2017 in which all the main indexes were firmly in the black, 2018 suffered a marked decline: in terms of "total return", FTSE MIB -13.6%, FTSE Italia Mid Cap -17.5% and FTSE AIM Italia -11.5%. The main European indexes also all fell hard: DAX -18% and CAC 40 -9.1%. The Eurostoxx 600 was at -10.7%, while the worst losses were seen on the MSCI Small Cap Euro index at -16.6%.

Preview 2019

In 2019, GDP is expected to grow by 0.6%, 0.4 points lower than the previous forecast. This cut reflects the less favourable forecasts in terms of economic activity at the end of 2018, the reductions made to corporate investment plans, and the prospect of a slowdown in global trade.

Moreover, it is thought that the Fed may slow the monetary tightening under way since 2015 with more gradual interest rate hikes, while the ECB may not begin to raise rates until after the summer and continue to tend towards an accommodative monetary policy.

The biggest uncertainties centre around Brexit negotiations between Great Britain and the European Union, with the risk of a "no deal" situation having greatly increased after the British parliament rejected Prime Minister Theresa May's proposals. Global trade may also be hurt by a worsening of trade tensions between the United States and China should they fail to reach an agreement on the implementation of new tariffs before the 90-day ceasefire period, adopted on 1st December 2018 ends.

General information about the company

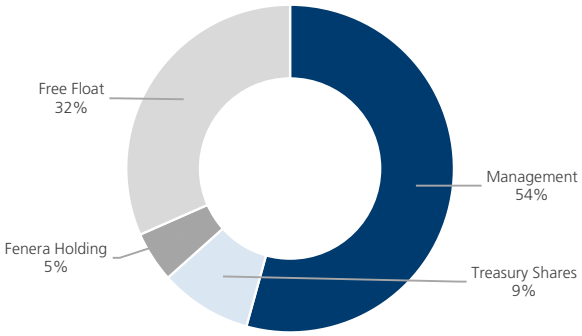
In 2018 Equita Group completed the process of corporate reorganization, preparing for the first part of 2018 to the transition from the AIM market to the MTA market - STAR segment. This passage has given impulse and acceleration to the improvement of internal processes as well how it gave impetus and renewed visibility to the Group as a whole. These activities are part of the role of strategic direction and coordination of the Group.

Corporate Governance

The organization of Equita Group S.p.A. is based on the model traditional and complies with the provisions of the legislation concerning listed issuers. For a timely description of the corporate governance system, please refer to the "Report on corporate governance and ownership structure "- available on Company website (Governance section) – prepared based on the provisions of art. 123-bis of the Text Unico della Finanza, pursuant to which the issuers must annually supply the market with a series of information, identified in detail by the law in question, relating to ownership structures, adherence to a code of corporate governance behavior as well as to the structure and functioning of the corporate bodies and to the governance practices actually applied. On the base of communications made pursuant to art. 120 of Legislative Decree no. 58/98 and the additional information available, at the date of approval of the draft financial statements by the Board of Directors, shareholders holding shares of Equita Group S.p.A., are the following.

Shareholders	n.r of shares	%
Management and professionals [1]	27,152,364	54.3%
Treasury Shares	4,548,025	9.1%
Fenera Holding	2,500,000	5.0%
Free Float	15,799,611	31.6%
Totale	**50,000,000**	**100.0%**

SHAREHOLDER STRUCTURE



Last update: 5/3/2019
[1] Management, collaborators and former employees of the Equita Group linked by lock-up agreements; 28.2% of the share capital refers to the Shareholders Significant of which below.

SIGNIFICANT INTERESTS

On March 5, 2019 Equita Group S.p.A. has received communication, via Form 120A, that the Fenera company Holding S.p.A. on 4 March 2019 it reached the threshold 5% with 2,500,000 shares.

Information on management performance

The Company, in compliance with the provisions of the Legislative Decree of 28 February 2005 - n. 38, draws up its own budget according to IAS / IFRS accounting standards. As is known, IAS / IFRS accounting standards (specifically IAS 1) do not prescribe mandatory financial statement formats but are limited to enunciating the minimum items (classifications). Article 9 of Legislative Decree 38/2005 has conferred the powers to the local authorities for the preparation of the financial statements. Giving the characteristic activity of Equita Group S.p.A. and its role of Parent Company of a SIM Group, the management adopted the financial statement formats included in the "Instructions for the preparation of the financial statements of the IFRS Intermediaries other than the banking intermediaries" issued by Bank of Italy on 22 December 2017, pursuant to art. n. 9 of Legislative Decree 38/05 and of the Art. 43 of Legislative Decree 136/15.
The financial statement has been prepared on a going concern basis, which is considered appropriate.

Business performance

Reclassified Income statement	31/12/2018	31/12/2017	var %
Profit (loss) on equity investments	6,898,449	5,230,760	31,9%
Portfolio FVTPL	(187,081)	-	n.s.
Revenues from services	123,086	(1,540)	n.s.
Net interest	32,258	(143,219)	(122,5%)
Intermediation margin	6,866,712	5,086,001	35,0%
Administrative expenses	(4,525,426)	(1,153,768)	292,2%
Of which compensation	(2,566,407)	(294,532)	n.s.
Other expenses	45,880	18,097	153,5%
Profit (loss) on ordinary operations	2,387,165	3,950,331	(39,6%)
Income tax on ordinary operations	1,121,258	504,990	122,0%
Net reclassified income (loss) (+/-)	3,508,378	4,455,544	(21,3%)

In the 2018, Equita Group started the activities aimed to extend the business, transferring from 1 January 2018 certain resources engaged in the development of the Private Capital area and over certain key resources engaged in the control activity and strategic coordination of the Group.
Equita Group, subscribed a long term investment in Blueglen for 5 million euros (hereinafter also "BETR") and promoted the scouting of a target company for EPS Equita PEP SPAC 2 S.p.A. (for more details, refer to the section of the consolidated Annual report). This scouting activity generated a return of € 123 thousand.
Furthermore, in 2018 Equita Group received dividends from the subsidiary Equita SIM S.p.A. for Euro 6,898 thousand. Please note that such dividends represented 58% of the 2017 subsidiary's net profit, the undistributed dividend had been taken to profit reserves for the purpose of strengthened the subsidiary's own funds.

From the expenses point of view, it should be noted that the increase in the number of resources (equal to n. 10 at the end of 2018) has led to a burden on the income statement of the Equita Group, if compared whit the previous year.
Furthermore, the activities connected to the transition from the AIM market to the MTA market - STAR segment, generated costs for € 1.1 million (in 2017, the IPO expenses to the AIM market were € 0.3 million).
Starting from 2018, Equita Group applied the pro-rata VAT rule. Based on article 19-bis of Presidential Decree 633/72, the Company has determined the percentage of VAT on purchases that can be deducted and therefore no longer represents a cost. This calculation generated a VAT benefit in terms of lower costs for around Euro 468 thousand.
Finally, in accordance whit National Tax Consolidation, Equita Group transferred a benefit deriving from the tax loss for Euro 1.1 million. This amount includes the tax benefit ("ACE") of € 137 thousand (decrease if compared whit the previous year, equal to Euro 247 thousand).

Reclassified Balance Sheet

Relassified Balance sheet - Assets	31/12/2018	31/12/2017	var %
Other financial assets mandatorily measured at fair value	4.813.255	-	n.s.
Loans and receivables	5.476.458	17.558.498	(68,8%)
Investments in associates and companies subject to joint control	47.147.885	47.147.885	(0,0%)
Property, equipment and intangible assets	86.735	-	n.s.
Tax assets	1.963.498	3.161.490	(37,9%)
Other assets	5.058.539	47.856	n.s.
Total assets	64.546.369	67.915.729	(5,0%)

The balance sheet of Equita Group, includes in the Hold to collect & sell portfolio the BETR' share purchased for Euro 5 million in July 2018 and recorded at its fair value.
Receivables represent the bank balances, the decrease shown if compared to 2017 is due to dividends paid during the year (for an amount greater than those collected), to the investment in the shares of the aforementioned fund, to the taxes payment and due to operating expenses mainly attributable to personnel costs.
The Equity Investments includes:
- 100% of Equita SIM S.p.A., consisting of the 50.5% stake, equal to 30.1 million euros, deriving from the purchase completed on January 25, 2016 (net of transaction costs recognized in equity as FTA of IAS / IFRS accounting principle) and from the 49.5% resulting from the acquisition of Manco S.p.A. for around € 15.7 million closed on 1 July 2017.
- 50% of Equita Pep Holding Srl, Joint Venture vehicle whose corporate purpose is aimed at developing the business of a "SPAC" (Special Purpose Acquisition Company). The 50% stake in Equita Group S.p.A. equals to 1,350,000 euros.
For more details about this initiative can be found in the specific section of the management report of the Consolidated Annual Report.
The item relating to tax assets includes the recognition of deferred taxes amounting to € 1 million, relating the goodwill enfranchisement, which emerges at the consolidated level for the acquisition of Equita SIM on 25 January 2016.
The other tax items relate to corporate tax benefit generated by the "ACE, to the advance corporate tax and to the pro-rata VAT.
In 2018, in application of the National Tax Consolidation, Equita Group recorded the IRES credit, among other assets, for euro 4.7 million.

The item Other liabilities relates to the amount of payables to suppliers and invoices to be received, including intercompany payables for approximately 1.5 million euros. The item also includes payables accrued to employees but not yet paid.
The provision for risks and charges represents the amount of the variable component of the personnel compensation whit a deferred payment, in accordance with the CRD IV directive.

Relassified Balance sheet	31/12/2018	31/12/2017	var %
Debts		-	
Tax liabilities	568.313	-	
Other liabilities	3.042.761	1.516.082	100,7%
Employees' termination indemnities	322.055		
Allowances for risks and charges	458.575		
Shareholders' equity	60.154.665	66.399.647	(9,4%)
Total liabilities and shareholders' equity	**64.546.369**	**67.915.729**	**(5,0%)**

Equita Group equity at 31 December 2018 shows a decrease of 6,244 thousand euros, deriving from:
- the distribution of reserves for the payment of 2017 dividends (-5,722 thousand euros);
- the lower net profits achieved in 2018, compared to 2017 (-947 thousand euros)
- offset by the increase in the legal reserve (222 thousand euros) and
- by the sale of treasury shares (200 thousand euros).

New products and main initiatives during the year

For details on this section please refers to the previous paragraphs.

Information on personnel and the environment

The Company operates in a sector with a low environmental impact and complies with current safety and environmental regulations of work. During 2018 the Company hired no. 10 resources, partly acquired by the subsidiary Equita SIM.

Research and development

Pursuant to article 2428 paragraph 3.1 of the Italian Civil Code, the group did not perform any research and development activities during the year.

Related-party transactions

Pursuant to article. 2428 paragraph 3.2 of the Italian Civil Code, we hereby certify that related-party transactions during the year 2018 refer to intra-group service contracts with, other than the compensation paid to key management personnel during 2018,:
- Equita SIM S.p.A.;
- Equita PEP Holding S.r.l..

On 2 January 2018, Equita Group S.p.A. entered into an outsourcing agreement with Equita SIM S.p.A. to provide legal and tax services, worth € 125 thousand plus VAT per year. On the same date, Equita SIM S.p.A. entered into an outsourcing agreement with Equita Group SpA to supply services including IT, admin services, facilities, general and personnel services, worth € 80 thousand plus VAT per year.
On 1 March 2018, Equita Group S.p.A. granted its subsidiary Equita SIM S.p.A. a loan of up to € 15 million to finance ordinary operations and for which the subsidiary already uses the credit market. Interest charged on the loan is in line with market rates. For more details, please see "Section 5 – Related-party transactions" of the Notes to the Financial Statements.

Capital and treasury shares

Following the corporate reorganization and the IPO, the share capital consists of n. 50,000,000 ordinary shares of which the company itself holds 4,548,025 euros.

Number and par value of both treasury shares and shares or quotas in parent companies held by the company, including through trust companies or intermediaries, indicating the corresponding share of capital.

Pursuant to paragraph 3.3 of art. 2428 of the Civil Code, we hereby notify that Equita Group owns n. 4,548,025 treasury shares or 9.0961% of total shares representing the share capital.
Equita Group subsidiaries do not own any shares in the Parent Company.
Moreover, Equita SIM's HFT portfolio includes 261 shares of the parent company Equita Group S.p.A. purchased at a price of € 2.90 on 23 November 2017 (date of listing on AIM Italia) and relating to the "splits" resulting from the allocation of these shares upon issue on the primary market (minimum lot of 500 shares).

Number and par value of both treasury shares and shares or quotas of parent companies purchased or sold by the company during the year, including through trust companies or intermediaries, indicating the corresponding percentage of capital, the consideration paid or received and reasons for purchase or disposal.

Pursuant to paragraph 3.4) of art. 2428 of the Italian Civil Code, we hereby certify that Equita Group owns 4,548,025 treasury shares or 9.0961% of all shares representing the share capital.
During the year, in order to allocate shares to specific employees of the subsidiary Equita SIM S.p.A, the Company sold no. 200,000 treasury shares (0.4% of shares representing total share capital) at a price of €1/share.

Branch operations

Equita Group does not own any other branches as provided by art. 2848, paragraph 3 of the Italian Civil Code.

Significant events after the end of the year

Pursuant to the provisions of the 3rd paragraph, point 5 of the art. 2428 of the Civil Code, it should be noted that in the first months of 2019, not significant events took place or anomalous transactions took place, unusual or such as to be held in consideration in drawing up this balance sheet.

Subsequent events and outlook

Among the activities that will be implemented in 2019, it is mentioned the start of the project aimed at allowing the set up of the Italian management company, fully owned by Equita Group.
The company will be dedicated, at inception, in the management of alternative funds.
In January 2019 a new vehicle was created which, after having obtained the necessary authorizations to operate as an asset management company, it will receive by Equita SIM S.p.A., through a proportional spin-off operation without exchange, activities related to the management of delegated portfolios, the initiatives related to the management of Private debt funds and future private equity initiatives.
The initial share capital of the vehicle, named Equita Capital SGR S.p.A. is of € 1 million.
The vehicle will remain inactive until the outcome of the Authorization Application sent to the Bank of Italy in the second half of February 2019.

Proposal to the Shareholders' Meeting

Equita Group closed the year 2018 with net profit for the year of €3,508,378.38.

It is proposed to the Shareholders' Meeting to:

- allocate the net profit for the year to the Legal Reserve for € 175.418,92, to distribute a dividend of €0.22 for each ordinary shares through the distribution of the net profit, remained after the allocation to the Legal reserve, of € 3.332.959,46, and through the distribution of capital reserves of €6.666.475,04;
- approve the distribution of dividend on May 6 2019 and payment date May 2019.

With the approval of the Shareholders' Meeting of the aforementioned proposals, the equity of the Company will amount to € 50,155,231.06 and it will be composed as follows:

-	Share capital	Euro	11.376.344,50
-	Share premium account	Euro	18.198.319,00
-	Legal Reserve	Euro	685.469,95
-	Other reserves	Euro	24.441.048,60
-	Valuation reserves	Euro	2.074,01
-	Treasury Shares	Euro	(4.548.025,00)

Milan, March 13, 2019

Chief Executive Officer

Andrea Vismara

Notes to Financial Statements

Financial Statements

Balance Sheet

	Assets	31/12/2018	31/12/2017
10	Cash and cash equivalents		
20	Financial assets measured at fair value through profit or loss	4,813,255	
	a) financial assets held for trading		
	b) financial assets designated at fair value		
	c) other financial assets mandatorily measured at fair value	4,813,255	
30	Financial assets at fair value through other comprehensive income		
40	Financial assets measured at amortised cost	5,476,458	17,558,498
	a) due from banks	5,319,362	17,558,498
	b) due from financial institutions	157,096	
	c) loans to customers		
50	Hedging derivatives		
60	Changes in fair value of portfolio hedged items (+/-)		
70	Investments in associates and companies subject to joint control	47,147,885	47,147,885
80	Property and equipment	7,500	
90	Intangible assets	79,235	
100	Tax assets	1,963,498	3,161,490
	a) current	1,921,768	3,157,738
	b) deferred	41,730	3,752
110	*Non-current assets and disposal groups classified as held for sale*		
120	Other assets	5,058,539	47,856
	Total assets	**64,546,369**	**67,915,729**

Financial Statements

Balance Sheet

	Liabilities and shareholders' equity	31/12/2018	31/12/2017
10	Financial liabilities measured at amortised cost		
	a) debts		
	b) debt securities in issue		
20	Financial liabilities held for trading		
30	Financial liabilities designated at fair value		
40	Hedging derivatives		
50	Value adjustment of hedged financial liabilities (+/-)		
60	Tax liabilities	568,313	
	a) current	567,658	
	b) deferred	655	
70	Liabilities associated with assets classified as held for sale		
80	Other liabilities	3,042,761	1,516,082
90	Employees' termination indemnities	322,055	
100	Allowances for risks and charges	458,575	
	a) committments and guarantees given		
	b) post-employment benefits		
	c) other allowances for risks and charges	458,575	
110	Share capital	11,376,345	11,376,345
120	Treasury shares (-)	(4,548,025)	(4,748,025)
130	Redeemable shares		
140	Share premium reserve	18,198,319	18,198,319
150	Reserves	31,617,574	37,117,465
160	Valuation reserves	2,074	
170	Net income (loss) (+/-)	3,508,378	4,455,544
	Total liabilities and shareholders' equity	**64,546,369**	**67,915,729**

Financial Statements

Income Statement

	Line Item (€)	31/12/2018	31/12/2017
10	Net trading income		
20	Net gains (losses) on hedge accounting		
30	Gains (Losses) on disposal and repurchase of:		
	a) financial assets at amortised cost		
	b) financial assets at fair value through other comprehensive income		
	c) financial liabilities		
40	Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	(187,081)	
	a) financial assets/liabilities designated at fair value		
	b) other financial assets mandatorily at fair value		
50	Commission income	128,767	
60	Commission expense	(5,681)	(1,540)
70	Interest and similar income	32,709	450
80	Interest and similar expense	(451)	(143,669)
90	Dividends and similar revenues	6,898,449	5,230,760
110	**Intermediation margin**	**6,866,712**	**5,086,001**
120	Net losses/recoveries for credit risks associated with:		
	a) financial assets measured at amortised cost		
	b) financial assets at fair value through other comprehensive income		
130	**Net profit (loss) from financial activities**	**6,866,712**	**5,086,001**
140	Administrative expenses:	(4,525,426)	(1,153,768)
	a) personnel expenses	(2,566,407)	(294,532)
	b) other administrative expenses	(1,959,019)	(859,235)
150	Net provisions for risks and charges		
160	Net (losses) recoveries on impairment of tangible assets		
170	Net (losses) recoveries on impairment of intangible assets	(1,595)	
180	Other operating income and expense	47,475	18,097
190	**Operating costs**	**(4,479,546)**	**(1,135,670)**
200	Profit (loss) on equity investments		223
210	Net gains (losses) on property, plant and equipment and intangible assets measured at fair value		
220	Goodwill impairment		
230	Gains (Losses) on disposals on investments		
240	**Profit (loss) on ordinary operations before tax**	**2,387,165**	**3,950,554**
250	Income tax on ordinary operations	1,121,213	504,990
260	**Net income (loss) (+/-)**	**3,508,378**	**4,455,544**

Statement of comprehensive income

	Line Item (€)	2018	2017
10	**Net income (loss) (+/-)**	3,508,378	4,455,544
	Other comprehensive income net of tax that will not be reclassified to profit or loss		
20	Equity instruments designated at fair value through other comprehensive income		
30	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)		
40	Hedge accounting of equity instruments designated at fair value through other comprehensive		
50	Property, plant and equipment		
60	Intangible assets		
70	Defined benefit plans	2,074	
80	Non-current assets and disposal groups classified as held for sale		
90	Portion of the valuation reserves – equity accounted investees		
	Other comprehensive income net of tax that may be reclassified to profit or loss		
100	Foreign investments hedging		
110	Foreign exchange differences		
120	Cash flow hedging		
130	Hedging instruments (non-designated items)		
140	Financial assets (other than equities) measured at fair value through other comprehensive income		
150	Non-current assets and disposal groups classified as held for sale		
160	Part of valuation reserves from investments valued at equity method		
170	Total other comprehensive income, net of tax	2,074	
180	**Total comprehensive income (Items 10 + 170)**	**3,510,452**	**4,455,544**

Statement of changes in shareholders' equity – 2018

(euro)	Amounts as at 31.12.2017	Changes in opening balances	Amounts as at 01.01.2018	Allocation of previous year's profit		Changes during the year						Comprehensive income 31.12.2018	Amounts as at 31.12.2018
				Reserves	Dividends and other allocations	Changes in reserves	Operations on shareholders' equity						
							Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Other		
Share capital	11,376,345		11,376,345										11,376,345
Share premium reserve	18,198,319		18,198,319										18,198,319
Reserves:													
a) retained earnings	3,301,088		3,301,088	222,777							(3,013,814)		510,051
b) other	33,816,377		33,816,377								(2,708,853)		31,107,524
Valuation reserves												2,074	2,074
Equity instruments													
Treasury shares	(4,748,025)		(4,748,025)						200,000				(4,548,025)
Profit (loss) of the parent company	4,455,544		4,455,544	(222,777)		(4,232,767)						3,508,378	3,508,378
Shareholders' equity	**66,399,647**		**66,399,647**			**(4,232,767)**			**200,000**		**(5,722,668)**	**3,510,452**	**60,154,666**

Statement of changes in shareholders' equity – 2017

euro)	Amounts as at 31.12.2016	Changes in opening balances	Amounts as at 01.01.2017	Allocation of previous year's profit		Changes during the year						Comprehensive income 31.12.2017	Amounts as at 31.12.2017
						Changes in reserves	Operations on shareholders' equity						
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Other		
Share capital	19,240,000		19,240,000				1,376,340				(9,240,000)		11,376,345
Share premium reserve							18,198,319,00						18,198,319
Reserves:													
a) retained earnings	(63,763)	(19,227)	(82,990)	287,274	5,477,429				(2,380,625)				3,301,088
b) other											33,816,377		33,816,377
Valuation reserves													–
Equity instruments													–
Treasury shares								(4,748,025)					(4,748,025)
Profit (loss) of the parent company	5,764,703		5,764,703	(287,274)	(5,477,429)							4,455,544	4,455,544
Shareholders' equity	**24,940,940**	**(19,227)**	**24,921,713**	**(0)**			**19,574,664**	**(4,748,025)**	**(2,380,625)**		**24,576,377**	**4,455,544**	**66,399,647**

Statement of cash flows

(direct methos)

A	Operating activities	2018	2017
1	**Liquidity generated by operations:**	**4,094,044**	**4,455,544**
	Interest and similar income	32,709	450
	Interest and similar expense	(451)	(143,669)
	dividends and similar income	6,898,449	5,230,760
	commissions, net	123,086	(1,540)
	personnel expenses	(2,107,550)	(294,532)
	other expenses	(1,911,544)	(859,396)
	other income	(61,868)	
	taxes and duties	1,121,213	504,991
	profit/loss resulting from operating assets divested, after taxes (+/-)		
2	**Liquidity generated/absorbed by financial assets**	**(8,782,860)**	**(3,209,346)**
	financial assets held for trading		
	financial assets designated at fair value		
	other financial assets mandatorily measured at fair value	(4,813,255)	
	financial assets measured at fair value through other comprehensive income	(157,096)	
	financial assets measured at amortised cost		
	other assets	(3,812,509)	(3,209,346)
3	**Liquidity generated/absorbed by financial liabilities**	**2,417,245**	**897,673**
	financial liabilities measured at amortised cost		
	financial liabilities held for trading		
	financial liabilities designated at fair value		
	other liabilities	**2,417,245**	897,673
	Liquidity generated/absorbed by operating activities	**(2,271,570)**	**2,144,380**
B	**Investing Activities**		
1	**Liquidity generated by:**		
	Sales of investments in associates and companies subject to joint control		
	collected dividends on equity investments		
	sales of property, plant and equipment		
	sales of intangible assets		
	sales of business units		
2	**Liquidity absorbed by:**	**(88,330)**	**(1,350,000)**
	purchases of equity investments		(1,350,000)
	purchases of property, plant and equipment	(7,500)	
	purchases of intangible assets	(80,830)	
	purchases of business units		
	Liquidity generated/absorbed by investing activities	**(88,330)**	**(1,350,000)**
C	**Funding activities**		
	issue/purchase of treasury shares	200,000	23,477,063
	issue/purchase of equity instruments		
	dividend distribution and other	(9,922,140)	(1,615,922)
	Net liquidity generated/absorbed by funding activities	**(9,722,140)**	**21,861,141**
	NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**(12,082,040)**	**22,655,520**

Reconciliation

	2018	2017
Cash and cash balances at the beginning of the year	**17,558,498**	**(5,097,022)**
Net liquidity generated/absorbed in the year	(12,082,040)	22,655,520
Cash and cash balances: foreign exchange effect		
Cash and cash balances at the end of the year	**5,476,458**	**17,558,498**

Notes to the Financial Statements

Part A – Accounting principles and policies

A.1 General part

Section 1 – Statement of conformity with International Financial Reporting Standards

In application of Legislative Decree no. 38 of February 28th, 2005 these financial statements have been prepared in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board and the relative interpretations of the International Financial Reporting Standards Interpretation Committee and adopted by the European Commission as established by Regulation (EU) no. 1606/2002 of July 19th, 2002.

The financial statements for the year ended December 31st, 2018 have been prepared on the basis of the Provision of the Bank of Italy of December 22nd, 2017 "The IFRS financial statements of intermediaries other than bank intermediaries" (which fully replace that of December 9th 2016 " "Instructions for the preparation of the financial statements and reports of financial intermediaries, payment institutions, electronic currency institutions, SGRs and SIMs").

Such Instructions establish binding rules for presenting primary financial statements and the relative means by which they must be compiled, as well as the contents of the notes to the financial statements.

The IAS/IFRS international accounting standards adopted by the European Commission and effective as of December 31st, 2018 have been used in the preparation of the financial statements (including SIC and IFRIC interpretations) and a list of these is provided in these financial statements.

The following table sets out the new international accounting standards or the amendments to accounting standards already effective together with the relative adoption regulations issued by the European Commission, which became effective in 2018.

International accounting standards adopted as of December 31st, 2018 and effective from 2018

Regulation / release	Name	Date of effect
1905/2016	IFRS 15 - Revenue from Contracts with Customers	01/01/2018 - Accounting periods beginning on or after 01/01/2018
2067/2016	IFRS 9 - Financial instruments	
1987/2017	Amendments to IFRS 15 - Revenue from Contracts with Customers	
1988/2017	Amendments to IFRS 4 - Insurance Contracts	
182/2018	Amendments to IAS 28 - Investments in Associates and Joint Ventures	
	Amendments to IFRS 1 - First adoption of International Financial Reporting Standards	
	Amendments to IFRS 12 - Disclosure of Interests in Other Entities	
289/2018	Amendments to IFRS 2 - Share-based Payment	
400/2018	Amendments to IAS 40 - Investment Property	
519/2018	IFRIC 22 - Foreign Currency Transactions and Advance Consideration	

The new accounting standards adopted mandatorily for the first time from 2018 in preparation of the financial statements of the Company are rappresented by the IFRS 15 "Revenues from contracts with customers" and by the IFRS 9 "Financial Instruments". In the following paragraph will be provided more detail regards the impact of these new standards on the financial statements.

In the following table sets out new international reporting standards or amendments to accounting standards that are already effective together with the relative adoption regulation issued by the European Commission, which must be applied from January 1st, 2018 – in the case of financial years coinciding with calendar years – or from the later starting date in other cases.

New accounting standard IFRS 9 Financial Instruments

In July 2014 the International Accounting Standards Board (IASB) issued the new accounting standard IFRS 9 Financial Instruments with the aim of introducing new requirements regarding the way in which financial instruments should be classified and measured, the bases and methods underlying the determination and calculation of impairment losses and the hedge accounting model. The adoption procedure ended with the issuing of Commission Regulation (EU) 2016/2067 of November 22nd, 2016, published in the Official Journal of the European Union L 323 of November 29th 2016. IFRS 9 replaces IAS 39 and is applicable for financial years beginning on or after January 1st, 2018.

The main changes regard classification and impairment and in particular:

- the classification and consequent method of measuring financial assets (with the exception of shares) is based upon the results of two tests, one on the business model and the other on the contractual features of cash flows (solely payments of principal and interest – the SPPI test). Only instruments that pass both tests can be recognised at cost otherwise the assets must be recognized at fair value through profit or loss (this category therefore becomes the residual category). There is then additionally an intermediate category (held to collect and sell) which in the same way as the present "available-for-sale" portfolio requires measurement at fair value through equity (meaning other comprehensive income);
- shares must always be measured at fair value with the possibility for the fair value effects of those not held for trading to be recognized in an equity reserve (instead of passing through profit or loss); recycling has however been eliminated, meaning that the effect of disposals is no longer recognized in profit or loss;
- the new standard passes from the use for accounting purposes of an incurred impairment model to an expected model; concentrating on expected losses, provisioning will have to be made on the whole of the portfolio (including that not impaired) and on the basis of forecast information that discounts macroeconomic factors. In particular, on initial recognition (stage 1) instruments must already take into account expected losses over a time period of 12 months (including those not impaired); on the occurrence of a significant increase in credit risk an asset is classified in the underperforming portfolio (stage 2) which must take into account expected losses over its lifetime; if there is a further deterioration the instruments moves to the non-performing portfolio (stage 3) where its final recovery amount is estimated.

New accounting standard IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers, effective from January 2018, was adopted by way of the publication of Regulation 1905/2016. From its effective date IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts, together with the related interpretations.
The changes with respect to the pre-existing discipline can be summarized as follows:

- the introduction in a single accounting standard of a "common framework" for the recognition of revenue arising from the sale of goods and the provision of services;
- the adoption of a step approach for recognizing revenue (see below);
- a mechanism that can be called "unbundling" for allocating the total price of a transaction to each of the obligations (sale of goods and/or provision of services) to which the supply contract relates.

- In general terms IFRS 15 requires an entity to use an approach based on the following five steps when recognizing revenue:
- identification of the contract (or contracts) with the customer: IFRS 15 must be applied to every contract concluded with a customer and must comply with specific criteria. In certain specific cases IFRS 15 requires an entity to combine/aggregate several contracts and account for them as a single contract;
- identification of the performance obligations: a contract represents the obligation to transfer goods or services to a customer. If these goods or services are "distinct", these promises are considered to be performance obligations and are accounted for separately;
- determination of the transaction price: the transaction price is the amount of the consideration that the entity expects to be entitled to in exchange for the promised goods or services. The price provided in the transaction may be a fixed amount but at times may include variable or non-cash components;
- allocation of the price of the transaction to the performance obligations of the contract: an entity allocates the price of the transaction among the various performance obligations on the basis of the standalone selling prices of each distinct good or service contractually provided for. If a standalone selling price is not observable an entity must estimate one. The standard explains when an entity must allocate a discount or a variable component to one or more, but not all, performance obligations (or to the separate goods or services) provided in the contract;
- recognition of revenue when the performance obligation is satisfied: an entity recognizes revenue when a performance obligation is satisfied through the transfer of a good or the provision of a service, contractually provided, in favour of a customer (or when the customer obtains control of that good or service). The amount of the revenue to be recognized is that allocated to the performance obligation that was satisfied. A performance obligation can be satisfied at a certain point in time (typically the case of the transfer of goods) or over a period of time (typically the case of the provision of services). In the case of performance obligations satisfied over a period of time an entity recognizes the revenue over that period, selecting a suitable method for measuring the progress made towards the complete satisfaction of the obligation.

In practice the effects of IFRS 15 will depend on the types of contracts measured (in fact the standard introduces potential ways of making estimates in determining the transaction price with respect to the variable component) and the sector in which an entity operates (the main areas concerned appear to be the telecommunications and residential property sectors).
In this respect the Company from the preliminary analyses performed it has emerged that the accounting treatment of these categories of revenue already appears to be in line with the requirements of the new standard and as a consequence no significant effects arise at an accounting level.

International accounting standards adopted as of December 31st, 2018 with application subsequent to December 31st, 2018

The following table sets out the new international accounting standards or amendments to accounting standards adopted by the European Commission during the 2018, which could impact on Consolidated Financial Statement.

Regulation / release	Name	Date of effect
1986/2017	IFRS 16 - Leasing	01/01/2019
498/2018	Amendments to IFRS 9 - Financial Instruments	Accounting periods beginning on or after 01/01/2019
1595/2018	IFRIC 23 - Uncertainty over Income Tax Treatments	

New accounting standard IFRS 16 Leases

The new accounting standard IFRS 16, adopted in 2017 by way of Commission Regulation (EU) 2017/1986 and applicable from January 1st, 2019, introduces significant changes to the way in which lease arrangements are recognized in the financial statements of the lessee/user. In particular the main change consists of the elimination of the distinction between "finance" and "operating" leases as required by IAS 17 (which will be replaced by IFRS 16): all leasing contracts will have to be accounted for as finance leases. For lessee/user entities this will in general lead – for equal profitability and final cash flows – to an increase in the assets recognized in the financial statements (leased assets), an increase in liabilities (the amount due for the leased assets), a reduction in operating expenses (lease instalments) and an increase in interest expense (for the repayment and remuneration of the recognized liability).
The minimum disclosures to be provided by lessee entities will be at least the following:

- a subdivision between the various "classes" of leased assets
- an analysis by due date of the relative lease creditors;
- all the information potentially useful for a better understanding of the entity's activities with respect to lease contracts (for example early redemption or extension options).

On the other hand there are no particular changes, apart from the request for increased disclosures, for lessor entities, for which the current distinction between finance and operating leases remains.
The Company set up preliminary analyses about the leasing contracts in order to define the potential impacts due to the introduction of this new accounting standard. From the preliminary analyses it has emerged that the potential impacts will be limited since the few number of contracts accounted for as finance leases.

International accounting standards and interpretations not yet adopted at 31.12.2018

The following table sets out the new international accounting standards or amendments to accounting standards already effective which have not yet been adopted by the European Commission.

Regulation / release	Name	Release date
IFRS 17	Insurance Contracts	18/05/2017
IAS 28	Long -term interest in Associate and Joint Ventures	12/12/2017
IFRS 3	Business Combination	12/12/2017
IFRS 11	Joint Arrangement	12/12/2017
IAS 12	Income Taxes	12/12/2017
IAS 23	Borrowing Costs	12/12/2017
IAS 19	Plan Amendment, Curtailment or Settlement	07/02/2018
(*)	Amendment to References to the Conceptual Framework in IFRS Standards	29/03/2018
IFRS 3	Definition of a Business	22/10/2018
IAS 1	Definition of Material	31/10/2018
IAS 8	Definition of Material	31/10/2018

(*) the document updates the references in Conceptual Framework in IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32

Section 2 – Basis of preparation

IIn accordance with article 5, paragraph 2 of Legislative Decree no. 38/2005 these financial statements have been prepared in euros as the money of account. The financial statements consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the notes to the financial statements. They are also accompanied by a directors' report on the Company's operations, its results and its balance sheet and financial position.
These financial statements have been prepared with clarity and give a true and fair view of the Company's financial position, the results of its operations and its cash flows and are based on the application of the following general principles of preparation contained in the IASB Framework as well as in IAS 1:

Going concern – Assets, liabilities and "off balance sheet" transactions are measured on a going concern basis because the Company is expected to continue to operate in the future, based on all the available information and taking as a reference, in accordance with IAS 1 "Presentation of Financial Statements", a future period of at least but not limited to 12 months from the balance sheet date.

In preparing the financial statements management has assessed the Company's ability to continue as a going concern, arriving at the conclusion that this assumption is reasonable as there is no reasonable doubt in this respect.

Accrual basis of accounting – Income and expense are recognized when they occur, regardless of when the corresponding balances are settled, and in accordance with the matching principle.

Consistency of presentation – The presentation and classification of items are kept constant over time to ensure comparability of information, unless changes are required by an IFRS or an interpretation or if it makes the representation of the amounts more appropriate in terms of relevance and reliability. If a presentation or classification policy is changed, the new one is applied retrospectively if possible; in this case the nature and the reason for the change as well as the items concerned are stated. The formats prescribed by the Bank of Italy for the financial statements of SIMs have been used in the presentation and classification of items.

Materiality and aggregation – All significant aggregations of items with a similar nature or function are reported separately. Items having a different nature or function are presented distinctly.

Offsetting – Assets and liabilities, and income and expenses are not offset with each other unless required or permitted by an IFRS or interpretation or by the formats prescribed by the Bank of Italy for the financial statements of SIMs.

Comparative information – Comparative information for the previous year is reported for all the figures contained in the financial statements unless otherwise prescribed or permitted by an IFRS or interpretation. This also relates to information of a narrative or descriptive nature or comments when useful to an understanding of the figures.

Consistency in the application of accounting standards – The means by which items are recognized are kept constant over time in order to ensure the comparability of financial statements unless changes are required by an IFRS or an interpretation or if it makes the representation of the amounts more appropriate in terms of relevance and reliability. If there is a change in principle, the new principle is adopted retrospectively if possible; in this case the nature and the reason for the change as well as the items concerned are stated.

Use of estimates and assumptions – In the preparation of the financial statements accounting estimates and assumptions are used that are based on complex and/or objective judgements, on past experience and on assumptions that are considered reasonable and realistic on the basis of the information known when the estimates are made. The use of these estimates affects the carrying amount of assets and liabilities and disclosures about contingent assets and liabilities at the balance sheet date, as

well as the amounts of income and expense for the reporting period. Actual results may differ from the estimates owing to the uncertainty that characterizes the assumptions and the conditions on which the estimates are based.
The main cases for which management is mostly required to make subjective assessments are as follows:

- the use of valuation models for measuring the fair value of financial instruments not listed on active markets;
- the quantification of personnel provisions and other provisions;
- estimates and assumptions regarding the recoverability of deferred tax assets;
- the quantification of impairment losses on loans and receivables and in general on other financial assets.

Section 3 – Subsequent events

No corporate events of importance occurred during the first few months of 2019 nor anomalous or unusual events or in any case events that may require to be taken into consideration in the preparation of these financial statements.
In accordance with the requirements of IAS 10 it is hereby stated that the Board of Directors authorized the publication of these financial statements on March 13th, 2019.

Section 4 – Other aspects

New international accounting standards and amendments to accounting standards already effective were taken into consideration in the preparation of these financial statements.
With specific regard to paragraph 125 of IAS 1 reference should be made to the section "Risks connected with the business".

Section 5 – Consolidation scope and methods

A.2 Part relating to financial statement items

Set out below are the accounting principles and policies adopting in preparing the financial statements for the year ended December 31st, 2018. More specifically, information is provided on the policies used in the recognition, classification, measurement and derecognition of assets and liabilities and the recognition of income and expense.

Financial assets at fair value through profit or loss (FVTPL)

c) Other financial assets mandatorily measured at fair value

Recognition
Other financial assets mandatorily measured at fair value follow the same recognition criteria described above relating the "Financial assets held for trading". For further information, see the consolidated financial statement.

Classification
A financial asset, not recognised as held for trading, is recognized within the other financial assets manadatorily measured at fair value when it doesn't satisfy the criteria, in terms of business model and cash flow, aimed to be classified as financial asset measured at amortised cost or at fair value through other comprehensive income.
Particularly are classified in this item:

- debt securities, securieties and loans held in a business model not aimed at collecting the cash flows (Held to collect), nor aimed both at collecting cash flows and at selling the financial assets (Held to collect & sell) and which are not financial assets held for trading;

- debt securities, securieties and loans whose cash flows not represent only the payment of principal and interest;
- units of UCIs';
- equity securities for which the Group doesn't exercise the option to recognise the financial assets at fair value through other comprehensive income.

Recognition of income and expense

Profits and losses (realized and unrealized) arising from the changes in fair value of the trading portfolio are classified under the line item 40: "Net gains (losses) on other financial assets/liabilities at fair value through profit or loss, b) other financial assets mandatorily at fair value".

Financial assets at amortized cost

Recognition and classification

This category contains financial assets (in particular loans and debt securities) that meet both of the following conditions:

- the financial asset held as part of a business model whose objective is achieved through receipt of the contractually provided cash flows ("Hold to Collect" business model); and
- the contractual terms provide for cash flows at specific dates represented solely by the repayment of the principal and the interest on the principal amount outstanding (assets that pass the "SPPI test").

More specifically, this item contains:

- loans to banks in the various technical forms that satisfy the requirements set out in the previous paragraph;
- loans to clients in the various technical forms that satisfy the requirements set out in the previous paragraph;
- debt securities that have the requisites set out in the previous paragraph.

This category also includes operating receivables connected with the lending of assets and financial services as defined in the Consolidated Banking Law and the Consolidated Finance Law (for example for the distribution of financial products and servicing activities).

Measurement

Financial assets at amortized cost are initially recognized at fair value, at the trade date for debt securities and at the disbursement date for loans, which normally corresponds to the consideration for the transaction including transaction costs or income that are directly attributable to the instrument.

The interest accruing is recognized in profit or loss, in the interest margin, using the effective interest method on a temporal basis over the contract term, meaning by applying the effective interest rate to the gross book amount of the financial asset, except in the case of:

- purchased or originated impaired financial assets. In this case the entity applies the adjusted effective interest rate for the credit to the amortized cost of the financial asset from initial recognition;
- financial assets that are not purchased or originated impaired financial assets but have become impaired financial assets at a later date. In this case the entity applies the effective interest rate to the amortized cost of the financial asset in subsequent periods.

After initial recognition at fair value, the financial assets are measured using the effective interest method as may possibly adjusted to take account of any impairment losses/reversals of impairment losses resulting from the measurement process. These impairment losses/reversals of impairment losses are recognized in profit or loss under line item 120. "Net losses (recoveries) on impairment of credit risk of: a) financial assets at amortized cost".

Reinstatements of the carrying amount arising from the passage of time are recognized in the interest margin.
When the financial asset in question is derecognized, any gains or losses are recognized in consolidated profit or loss under line item 100. "Gains (losses) from the sale or repurchase of: a) financial assets at amortized cost".

Derecognition

Loans and receivables are derecognized from the consolidated financial statements if the contractual rights on the cash flows deriving from such no longer hold or if the loans and receivables are sold, substantially transferring all the risks and rewards connected with these assets.

Equity investments

Classification, recognition and measurement

This item consists of interests held in jointly-controlled companies.
Entities are subject to joint control (joint ventures) if there is contractually agreed sharing of control between the Company and one or more other entities, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

If the Company holds 20 per cent or more of the voting power of an investee (including "potential" voting rights) or if – even with a lower proportion of voting rights – it has the power to participate in the investee's financial and operating policies by virtue of specific legal ties, such as being a party to a shareholders' agreement, it is considered to have significant influence over the investee (an associate). Any interests exceeding 20% in which the Company only holds property rights on a portion of the benefits of the investments, has no access to management policies and can exercise governance rights limited to the protection of property interests are not considered to represent significant influence.
If there is evidence that the carrying amount of an equity investment may be impaired, an estimate is made of the recoverable amount of the investment, taking into account the present value of future cash flows that the investment may generate, including the final disposal value of the investment.
If the recoverable amount of an investment is lower than its carrying amount the difference is recognized in profit or loss.
If the reasons for the impairment no longer hold as the result of an event occurring after the recognition of the impairment loss, the impairment loss is reversed with the amount of the reversal being recognized in profit or loss.

Derecognition

Investments are derecognized when the contractual rights to the cash flows from the asset expire or when the investment is sold, transferring substantially all the risks and rewards connected with it.

Property, plant and equipment

Recognition

Property, plant and equipment is initially recognized at cost which in addition to the purchase price includes any accessory costs directly attributable to the purchase and incurred for the asset to be capable of operating as intended.

Classification

Property, plant and equipment includes technical equipment, furniture and fittings and equipment of any other kind. Property, plant and equipment represents tangible items that are held for use in the production or supply of goods and services or for administrative purposes and which are expected to be used during more than one period.

Measurement

Property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses. At the end of each reporting period, if there is any indication that an asset may be impaired its carrying amount is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use, understood as the present value of the future cash flows expected to be derived from the asset. Any changes are recognized in profit or loss.

If the reasons that led to the recognition of an impairment loss are no longer hold, the impairment loss is reversed. The resulting carrying amount of the asset does not exceed that which would have been determined net of depreciation had no impairment loss been recognized for the asset in prior years.

Derecognition

An item of property, plant and equipment is derecognized on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Recognition of income and expense

Extraordinary maintenance expenses that lead to an increase in future economic benefits are attributed to the carrying amount of the asset concerned, whereas ordinary maintenance expenses are recognized in profit or loss.

Depreciation is calculated using criteria based on the passage of time, and together with any impairment losses or reversals of impairment losses is recognized in the line item "Net losses (recoveries) on impairment of tangible assets".

Intangible assets

Recognition and classification

IAS 38 defines an intangible asset as an identifiable non-monetary asset without physical substance. The characteristics required to satisfy the definition of an intangible asset are that it should be a resource:

- that is identifiable;
- that it is controlled by an entity;
- from which future economic benefits are expected to flow.

In the absence of these characteristics, expenses incurred to acquire or generate the asset are fully recognized as a cost in profit or loss in the year in which they are incurred.

An intangible asset is recognized as such if it is identifiable and arises from contractual or other legal rights. It is measured at cost, adjusted for any accessory costs only if it is probable that the future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Measurement and derecognition

At the end of each reporting period, if there is any indication that an asset may be impaired an estimate is made of its recoverable amount. The amount of any impairment loss, recognized in profit or loss, is equal to the difference between the asset's carrying amount and its recoverable amount.

An intangible asset is derecognized on disposal or if future economic benefits are no longer expected.

Recognition of income and expense

Intangible assets are amortized on a straight line basis over their useful lives. Intangible assets with indefinite useful lives are not amortized and an impairment test is carried out on a regular basis to ensure that no impairment losses need be recognized with respect to an asset's carrying amount. Leasehold improvement costs incurred by the Company are amortized over a period not exceeding the term of the lease agreement.

Tax assets and liabilities

The Company recognizes the effects of current and deferred taxation in compliance with national fiscal legislation and on an accruals basis, consistent with the means of recognizing the income and expense that have generated such taxes and applying the tax rates that are currently applicable.

Income taxes are always recognized in profit or loss except for those relating to items directly debited or credited to equity. The accrual for income taxes is calculated on the basis of a prudent estimate of the current tax charge and deferred tax income and expense. More specifically, deferred tax assets and liabilities are determined on the basis of the temporary differences – with no time limits – between the carrying amount of an asset or liability calculated in accordance with civil law criteria and the corresponding tax bases.

In the balance sheet current tax receivables and payables are recognized under "Current tax assets" and "Current tax liabilities" in the case in which the offsetting between receivables and payables leads to a net receivable or a net payable respectively.

Deferred tax assets are recognized to the extent that it is probable that they will be recovered, with recovery assessed on the basis of the Company's ability to generate taxable income on a continuous basis.

Deferred tax liabilities are always recognized with the sole exception of increases in the value of assets which are in tax suspension and represented by untaxed reserves, as the amount of the available reserves already taxed allows the reasonable conclusion to be drawn that no transactions will be carried out on the Company's initiative that would lead to the taxation of these reserves.

Deferred tax assets and liabilities are recognized gross and are not offset, with the former being classified as "Tax assets" and the latter as "Tax liabilities".

Deferred tax assets and liabilities are systematically assessed to take account of any changes that may have occurred in legislation or in tax rates and of any of the Company's various subjective situations.

The tax liability is adjusted as necessary to account for any costs that may arise from assessments received from the tax authorities or disputes in course with these authorities.

Employee termination indemnities (for companies with more than 50 employees)

The employee termination indemnities (TFR) reflect the liability to all employees for the indemnity payable to them on the termination of their employment contract. On the basis of Law no. 269 of December 27th 2006 (the 2007 Finance Law), in accordance with the decision taken by the employee, companies with at least 50 employees must make a mandatory monthly payment for the portion of the TFR which accrues on or after January 1st, 2007 to the supplementary pension funds listed in Legislative Decree no. 252/05 or to a specially established fund for payments to be made to employees of the private sector of the indemnity pursuant to article 2120 of the Italian Civil code (hereinafter Treasury Fund) set up at the national social security agency INPS. In the light of this there are the following situations:

- the TFR accruing from January 1st, 2007 for employees opting for the Treasury Fund and from the date of the decision taken (in compliance with the provisions of applicable law) for employees opting for the supplementary pension fund, has the nature of a defined contribution plan which does not require an actuarial calculation to be performed; the same is also true for the TFR of employees hired after December 31st, 2006 regardless of the decision taken concerning the destination of their TFR;

- the TFR accrued at the dates stated in the previous paragraph, however, remains a defined benefit plan even if the service has been fully provided. As a result of this an actuarial calculation is needed to determine the carrying amount of the liability of the TFR at December 31st, 2006, to take the following into consideration:
  - alignment of possible wage and salary increases to those prescribed by article 2120 of the Italian Civil code;
  - elimination of the pro-rata method for the services rendered as the services to be valued may be considered to be wholly completed.

Allowances for risks and charges

In accordance with IAS 37 this item contains recognized liabilities of uncertain timing or amount when the following conditions occur: a) the Company has a present obligation as a result of a past event; b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) a reliable estimate can be made of the amount of the obligation.
Where the effect of the time value of money is material the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.
Allowances are no longer recognized in the case of utilization or if the conditions for keeping them in the balance sheet no longer hold.
Accruals to allowances and any reversals of accruals are recognized in the line item "Net charges for allowances".

Treasury shares

Treasury shares are deducted from equity. Any gains or losses on the sale of treasury shares are also recognized in equity.

Revenue and cost

With reference to income and charges relating to financial assets/liabilities, it should be noted that:

- interest is recognised pro-rata temporis on the basis of the contractual interest rate or the effective interest rate if the amortised cost method is used. In the latter case, any marginal costs and incomes, considered an integral part of the return of the financial instrument, are calculated in the effective interest rate and recognised as interest. The item "interest income (or interest expense)" also includes the positive (or negative) spreads or margins accrued until the reporting date;
- dividends are recognized in the income statement when the legal right to collect them ensues, and therefore when their distribution is resolved;
- commissions related to services are recognised, on the basis of contractual agreements, with regard to the linked performance, according to IFRS 15;
- gains and losses deriving from the sale of financial instruments are recognised in the income statement when the sale is completed, based on the difference between the amount received and the book value of the instruments.
- gains and losses deriving from the sale of non financial instruments are recognised in the income statement when the sale is completed or when the performance obligation is satisfied;
- costs are recognised in the income statement on an accrual basis;
- cost incurred in order to obtain a contract with a customer, that it would not have incurred if the contract had not been obtained, are recognised as assets and will be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Revenues related to fee for services and other income recognised in line with the IFRS 15 can be recognised:

- at a specific moment, when the entity satisfies the performance obligation by transferring a promised good or service to a customer ("point in time"), or
- over the time, as the performance obligation is satisfied transferring promised good or service to a customer ("over in time").

In particular regarding the main revenues recognised by Equita Group in line with the IFRS 15, it is specified that:

- trading and distribution fees related to financial instruments are recognised "point in time" when the service is provided;
- advisory fees (in case there is no doubt on progress of works and on the related remunerations) and portfolio management fees are recognised "over the time" during the life of contract;
- revenues related to contracts containing two or more performance obligations and different model for transferring the goods or services to a customer are recognised in profit or loss in different ways ("over the time" or "point in time"). When the division is particularly burdensome and the amounts are not material, revenue is fully addressed to the main performance obligation;
- when required, the revenues to be paid to the customers are recognised in reduction of revenues from supply of goods or services and in line with the their recognition;
- potential variable revenues are estimated and recognised only if it is highly likely once the uncertainty related to the variable consideration is subsequently resolved and it will not happen a significant adjustment of amount referred to the cumulated revenues, considering all the available information known by the Company;
- potential revenues including a significant financial component are adjusted in order to consider the effect of the time value of money and to reflect the price that the customer should have paid if the payment would occur when (or as) is made the transfer of the promised good or service.This model is applied except when the expected period from the transfer of the promised good or service and the related payment is less than one year (practical expedient under the recognition in paragraph 63 of IFRS 15).

Other informations

Related parties

On the basis of IAS 24, related parties are:

a) parties that are directly or indirectly controlled by the Company and the relative associates and parents;
b) associates, joint ventures and the companies controlled by such;
c) key management personnel, meaning those persons having authority and responsibility for planning, directing and controlling the activities of the parent company, directly or indirectly, including directors and members of the Statutory Board of Auditors;
d) entities controlled, jointly controlled or significantly influenced by any person referred to in c);
e) close members of the family of any person referred to in c), meaning family members who may be expected to influence, or be influenced by, that person in their dealings with the Company (these may include that person's spouse or domestic partner, children, children of that person's spouse or domestic partner and dependants of that person's spouse or domestic partner) as well as the entities controlled, jointly controlled or significantly influenced by any of those persons;
f) post-employment benefit plans for the benefit of the parent company's employees or any other entity related to such;

A.3 Disclosure on reclassifications of financial assets between categories

In accordance with the requirements of paragraph 12A of IFRS 7 it is hereby stated that there have been no reclassifications of financial assets from one category to another during the year.

A.4 Fair value disclosures

The disclosures required by paragraphs 91 and 92 of IFRS 13 are provided in the following.

Disclosures of a qualitative nature

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

Market quotations are used for the determination of the fair value of listed financial instruments. In the absence of an active market, estimation methods and valuation models are used; these take into consideration all the risk factors related to the instruments and are based on information obtainable from the market, such as: valuation methods of listed instruments that have the same characteristics, discounted cash flow calculations, option-pricing models and prices in recent comparable transactions. Equity securities and the related derivative instruments for which it is not possible to determine fair value in a reliable manner in accordance with the above guidelines are measured at cost.

A.4.2 Valuation processes and sensitivity

Estimation method and valuation models used when there is no active market assume relevance in the case of a significant level of assets or liabilities. If the assets or liabilities subject to estimation have only marginal relevance they are measured at cost.

A.4.3 Fair value hierarchy

In accordance with paragraph 95 of IFRS 13 the valuation techniques used to determine the fair value of financial assets and liabilities are categorized into three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company can access at the valuation date. Level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

A.4.4 Other information

As there are no financial assets or liabilities measured at fair value having the nature of those described in paragraphs 51, 93(i) and 96 of IFRS 13, meaning assets/liabilities for which there is a difference between fair value at initial recognition (transaction price) and the amount determined at that date by using level 2 or 3 valuation techniques for fair value, no disclosures of a quantitative nature are provided.

Disclosures of a quantitative nature

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: analysis by fair value level

Assets and liabilities measured at fair value	31/12/2018			31/12/2017		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss			4,813,255			
a) financial assets held for trading						
c) other financial assets mandatorily measured at fair value			4,813,255			
2. Financial assets at fair value through other comprehensive income						
3. Hedging derivatives						
4. Property and equipment						
5. Intangible assets						
Total			**4,813,255**			
1. Financial liabilities held for trading						
2. Financial liabilities designed at fair value						
3. Hedging derivatives						
Total						

Legend:
L1 = Level 1; L2 = Level 2; L3 = Level 3

During the year the Company have acquired units in the fund BETR (about 5 Milion). These units were recognised in the Hold to collect & sell portfolio, since they didn't pass the SPPI Test.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: analysis by fair value level

	31/12/2018				31/12/2017			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortised cost	5,476,458			5,476,458	17,558,498			17,558,498
2. Property, plant and equipment held for investment								
3. Non-current assets and disposal groups classified as held for sale								
Total	**5,476,458**			**5,476,458**	**17,558,498**			**17,558,498**
1. Financial liabilities measured at amortised cost								
2. Liabilities associated with assets classified as held for sale								
Total								

Legend:
L1 = Level 1; L2 = Level 2; L3 = Level 3

A.5 Disclosure on "day one profit/loss"

Day one profit/loss, governed by paragraph 28 of IFRS 7 and paragraph AG 76 of IAS 39, arises from the difference on initial recognition between the transaction price of a financial instrument and its fair value. This difference generally occurs for financial instruments that do not have an active market and is recognized in profit or loss over the useful life of the instrument. The Company does not have operations that are liable to generate significant components of income that have the nature of day one profit/loss.

Part B – Information on the balance sheet

Assets

Section 2 – Financial assets measured at fair value through profit or loss – Line item 20

2.6 Composition of "Other financial assets required to be measured at fair value"

	31/12/2018			31/12/2017		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity instruments						
3. Units in investment funds			4,813,255			
4. Loans						
4.1 Repos						
4.2 Others						
Total			**4,813,255**			

2.7 Other financial assets required to be measured at fair value: composition by debtor/issuer

	31/12/2018	31/12/2017
1. Equity instruments		
of which: banks		
of which: other financial companies		
of which: non financial companies		
2. Debt securities		
a) Governments and other Public Sector Entities		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non financial companies		
3. Units in investment funds	4.813.255	
4. Loans		
a) Governments and other Public Sector Entities		
b) Banks		
c) Other financial companies		
of which: insurance companies		
d) Non financial companies		
e) Households		
Total	**4.813.255**	

Section 4 – Financial assets at amortized cost - Line item 40

4.1 Detail of item 40 "Financial assets at amortized cost": Due from banks

Composition	31/12/2018						31/12/2017					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and stage 2	Stage 3		L1	L2	L3	Stage 1 and stage 2	Stage 3		L1	L2	L3
		Purchased or originated	Others					Purchased or originated	Others			
1. Loans	**5,319,362**					**5,319,362**	17,558,498					17,558,498
1.1 Deposits and current accounts	5,319,362					5,319,362	17,558,498					17,558,498
1.2 Receivables for services												
- of which order execution												
- of which management												
- of which consultancy												
- of which other services												
1.3 Repos												
- of which government bonds												
- of which other debt securities												
- of which equity securities												
1.4 Other loans												
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
Total	**5,319,362**					**5,319,362**	17,558,498					17,558,498

Legend: L1 = Level 1; L2 = Level 2; L3 = Level 3

4.2 Detail of item 40 "Financial assets at amortized cost": Due from financial entities

Composition	31/12/2018						31/12/2017					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and stage 2	Stage 3 Purchased or originated	Stage 3 Others	L1	L2	L3	Stage 1 and stage 2	Stage 3 Purchased or originated	Stage 3 Others	L1	L2	L3
1. Loans	**157,096**					**157,096**						
1.1 Deposits and current accounts												
1.2 Receivables for services	157,096					157,096						
- of which order execution												
- of which management												
- of which consultancy												
- of which other services												
1.3 Repos												
- of which government bonds												
- of which other debt securities												
- of which equity securities												
1.4 Other loans												
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
Total	**157,096**					**157,096**						

Amounts due from financial entities mainly consist of receivables related to the advisory activites provided.

4.4 "Financial assets at amortized cost": cross amount and total accumulated impairements

(€)	Gross value					Total accumulated impairments				Partial accumulated Write-off
	Stage 1	of which: instruments with low credit risk exemption	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
- Debt securities										
- Loans	**5,476,458**				**5,476,458**					
Total as at 31/12/2018	**5,476,458**				**5,476,458**					
Total as at 31/12/2017	**17,558,498**				**17,558,498**					
of which: purchased or originated creditimpaired										
financial assets										

Section 7 – Equity investments - Line item 70

7.1 Equity investments: information on participation relationships

Company name	Main office	Holding %	Voting rights %	Carrying value	Fair V alue
A. "Solely controlled company"					
Equita SIM S.p.A.	Via Turati 9 Milano	100%	100%	45.797.885	59.648.592
B. "Jointly controlled company"					
Equita PEP Holding S.r.l.	Via Turati 9 Milano	50%	50%	1.350.000	1.350.000

7.2 Changes in equity investments during the year

No changes occurred during the 2018 in equity investments previously acquired, nor other investement have been made during the year.

Section 8 – Property, plant and equipment – Line item 80

8.1 Business assets: composition of assets measured at cost

		31/12/2018	31/12/2017
1	Owned assets	**7,500**	
	a) Land		
	b) Buildings		
	c) Office furniture and fitting		
	d) Electronic systems		
	e) Others	7,500	
2	Leased assets		
	a) Land		
	b) Buildings		
	c) Office furniture and fitting		
	d) Electronic systems		
	e) Others		
	Total	**7,500**	

The Company has no finance lease arrangements.

8.5 Property, plant and equipment: changes during the year

	Lands	Buildings	Office furniture and fitting	Electronic systems	Others	Total
A. Gross opening balance						
A.1 Total net reduction in value						
A.2 Net opening balance						
B. Increases						
B.1 Purchases					**7,500**	**7,500**
B.2 Capitalised expenditure on improvements						
B.3 Write-backs						
B.4 Increases in fair value:						
a) In equity						
b) Through profit or loss						
B.5 Positive exchange differences						
B.6 Transfer from properties held for investment						
B.7 Other changes						
C. Reductions						
C.1 Disposals						
C.2 Depreciation						
C.3 Impairment losses:						
a) In equity						
b) Through profit or loss						
C.4 Reduction of fair value:						
a) In equity						
b) Through profit or loss						
C.5 Negative exchange differences						
C.6 Transfer to						
a) Property, plant and equipment held for investment						
b) Non-current assets and disposal groups classified as held for sale						
C.7 Other changes						
D. Net final balance					**7,500**	**7,500**
D.1 Total net reduction in value						
D.2 Gross closing balance					**7,500**	**7,500**
E. Carried at cost					**7,500**	**7,500**

8.7 Commitments to purchase property, plant and equipment (IAS 16/74 c)

In accordance with paragraph 74 c) of IAS 16, the Company has no commitments by way of contracts or orders for the acquisition of property, plant and equipment.

Section 9 – Intangible assets – Line item 90

9.1 Composition of "Intangible assets"

	31/12/2018		31/12/2017	
	Measured at cost	Measured at fair value	Measured at cost	Measured at fair value
1 Intangible assets other than goodwill	79,235			
1.1 internally generated				
1.2 other	79,235			
Total	**79,235**			

The intangible assets consist of capitalized software expenditure.

9.2 Intangible assets: changes during the year

	Opening balance	**-**
B.	Increases	80,830
	B.1 Purchases	80,830
	B.2 Write-backs	
	B.3 Increases in fair value	
	a) In equity	
	b) Through profit or loss	
	B.4 Other changes	
C.	Reductions	(1,595)
	C.1 Disposals	
	C.2 Amortisation	(1,595)
	C.3 Write-downs	
	a) In equity	
	b) Through profit or loss	
	C.4 Reduction in fair value	
	a) In equity	
	b) Through profit or loss	
	C.5 Other changes	
D.	**Closing balance**	**79,235**

Section 10 – Tax assets and liabilities – Line item 100 and 60

10.1 Composition of "Current and deferred tax assets"

		31/12/2018	31/12/2017
A	**Current**	**1,921,768**	**3,157,738**
	1 Payments on account		275,855
	2 Tax provision		(22,236)
	3 Tax credits and withholding taxes	1,921,768	2,904,119
B	Deferred	41,730	3,752
	Total	**1,963,498**	**3,161,490**

The sub-items "Tax provision" and "Payments on account" refer to IRAP regional production tax for the year.
The sub-item "Tax credits and withholding taxes" refers to the following: a receivable for IRAP recognized following the conversion of the ACE excess of the previous year; an IRAP receivable due to the fact that the Company has no employees; a receivable for IRES corporate income tax following the adoption of the national tax consolidation scheme; and an advance for current taxes recognized following the franking of the values of trademarks and goodwill.
"Deferred tax assets" refer to the tax calculated on the temporary differences arising following the deferral of the deductibility of expenses for tax purposes with respect to the year they are recognized for accounting purposes.
The Company has no deferred tax assets relating to Law no. 214/2011.

10.2 Composition of "Tax liabilities: current and deferred"

		31/12/2018	31/12/2017
A	**Current**	567,658	
	1 Tax provision	4,783,000	
	2 Tax credits and withholding taxes	(2,682,238)	
	3 Payments on account	(1,533,104)	
	4 Other Taxes		
B	**Deferred**	655	
	Total	568,313	

The item "Tax provision" relates to current IRAP, while "Other taxes" consist of the tax on financial transactions, paid over to the authorities, due on trading financial instruments on the Company's own behalf.

10.3 Changes in deferred tax assets (with counter-entry to profit or loss)

		31/12/2018	31/12/2017
1	Opening balance	3.752	
2	Increases	41.730	3.752
	2.1 Deferred tax assets arisen during the year		
	a) Relating to previous years		
	b) Due to changes in accounting criteria		
	c) Write-backs		
	d) Others	41.730	3.752
	2.2 New taxes or increseas in tax rates		
	2.3 Other incresases		
3	Decreases	(3.752)	
	3.1 Deferred tax assets derecognised during the year:		
	a) Account transfer	(3.752)	
	b) Write-downs of non-recoverable items		
	c) Due to changes in accounting criteria		
	d) Others		
	3.2 Reduction in tax rates		
	3.3 Other decreases		
	a) Conversion into tax credit under Italian Law 214/2011		
	b) Others		
4	Closing balance	41.730	3.752

10.6 Changes in deferred tax liabilities (with counter-entry to equity)

		31/12/2018	31/12/2017
1	Opening balance		
2	Increases		
	2.1 Deferred tax assets arisen during the year		
	a) Relating to previous years		
	b) Due to change in accounting criteria		
	c) Others	655	
	2.2 New taxes or increase in tax rates		
	2.3 Other increases		
3	Decreases		
	3.1 Deferred tax assets derecognised during the year		
	a) Relating to previous years		
	b) Due to change in accounting criteria		
	c) Others		
	3.2 Reduction in tax rates		
	3.3 Other decreases		
4	Closing balance	655	

Section 12 – Other assets – Line item 120

12.1 Composition of "Other assets"

Accruals are calculated on expenses paid during the year but relating to costo to be incurred, wholly or in part, to a future periods.

"Other assets" consist of:

- receivable from Equita SIM related to the fiscal consolidation (Euro 4,7 Milion);
- receivable from Equita SIM related to seconded staff (Euro 0.3 Milion)

		31/12/2018	31/12/2017
1	- fees paid in advance	2,761	47,856
	- guarantee deposits		
	- revaluations of off-balance sheet items		
	- advances to suppliers	306,826	
	- Leasehold improvements		
	- receivable to the Parent Company for FC and intercompany services	4,748,952	
	Total other assets	**5,058,539**	**47,856**

Section 6 – Tax liabilities – Line item 60

See Section 10 – Tax assets.

Section 8 – Other liabilities – Line item 80

8.1 Composition of line item 90 "Other liabilities"

	31/12/2018	31/12/2017
- debts to suppliers and other payables	2,828,672	530,532
– due to state agencies for social security and accident insurance contributions	48,503	11,596
– due to tax authorities for IRPEF personal income tax	162,674	
– invoices issued relating to future periods		14,000
– due to the tax authorities for various taxes	910	28,263
– due for fiscal consolidation	2,001	931,690
Total	**3,042,761**	**1,516,082**

The item "due to suppliers and other payables" mainly consists of amounts due to employees and the related social charges, and accruals for invoices to be received or liabilities for invoices already received but not yet settled at the balance sheet date. The item includes the debt to Equita SIM related to the account paid in advance for the fiscal consolidation.
The item "due to state agencies for social security and accidence insurance contributions" refers to amounts due to the agencies INPS and INAIL on fixed and variable remuneration paid/to be paid to collaborators.

Section 9 – Employee termination indemnities – Line item 90

9.1 "Employee termination indemnities": changes during the year

		2018	2017
A.	Opening balance		
B.	Increases		
	B1. Provisions for the year	321,773	
	B2. Other increases	282	
C	Reductions		
	C1. Severance payments		
	C2. Other decreases		
D	Closing Balance	322,055	

The other increases and other decreases relate respectively to the interest cost and actuarial gains arising from the valuation of the TFR in accordance with the requirements of IAS 19.

9.2 Other information

The **discount rate** used to calculate the present value of the obligation was calculated in line with paragraph 83 of IAS 19, with reference being made at the valuation date to the Iboxx Corporate AA index with a term of 7-10 years.
The **annual revaluation** of the TFR is prescribed by article 2120 of the Italian Civil code as being 75% of the inflation rate plus 1.5 percentage points.

Sensitivity analysis

The sensitivity analysis was performed on the net defined benefit obligation (DBO) as per the previous table. The following figures represent the net defined benefit obligation for the stated changes in the actuarial assumptions.
The average term of the defined benefit obligation is 9.1 years for the TFR.

Sensitivity analysis of the main valuation parameters for the DBO at 31.12.2018		
Turnover rate +1%	320,284	
Turnover rate -1%	323,983	
Inflation rate +0,25%	326,553	
Inflation rate -0,25%	317,631	
Discount rate +0,25%	314,956	
Discount rate -0,25%		329,386

Section 10 – Allowances for risks and charges – Line item 100

10.1 Composition of "Allowances for risks and charges"

		31/12/2018	31/12/2017
3	**Other allowances**	**458,575**	
3.1	Legal and fiscal disputes		
3.2	Personnel allowances	458,575	
3.3	**Others**		
	Total	**458,575**	

The line item "Personnel allowances" consists exclusively of accruals for non-recurring forms of remuneration for services already rendered during the year but for which payment will be effected in the future.

10.2 "Post-employment benefits" and "Other allowances for risks and charges" – Changes during the year

		Provision funds	Other provisions	Total
A	Opening balance			
B	**Increases**		**501,481**	**501,481**
B.1	Changes due to the passing time		501,481	501,481
B.2	Increases due to discount rate changes			
B.3	Increases due to discount rate changes			
B.4	Other increseas			
C	**Decreases**		**(42,906)**	**(42,906)**
C.1	Use during the year		(42,906)	(42,906)
C.2	Differences due to discount-rate changes			
C.3	Other changes			
D	**Closing balance**		**458,575**	**458,575**

Section 11 – Shareholders' equity– Line items 110,120, 130, 140, 150 and 160

11.1 Composition of "Share capital"

	Amount
1. Share capital	
1.1 Ordinary shares	11,376,345
1.2 Others	

Share capital consists of 50 mn ordinary shares without nominal value.

11.2 Composition of "Treasury shares"

	Amount
1. Treasury shares	
1.1 Ordinary shares	(4,548,025)
1.2 Others	

During the year the Company sold to two employers no. 200,000 treasury shares equal to Euro 200 thousand.

11.4 Composition of "Share premium reserve"

	Amount
1. Share premium reserve	
1.1 Share premium reserve	18,198,319
.2 Others	

The share premium reserve rose as part of the IPO in 2017 (about Euro 8,2 Milion).

11.5 Reserves: other information

At 31st December 2018, the Reserve amount to Euro 31,6 Milion and consisted of the following.

Legal reserve, made pursuant to the law, at least shall to be equal to one fifth of the total amount of the Share Capital. At 31st December 2018 this reserve amount to about Euro 510 thousand;

Capital reserves include:

- the reserves arose by the merger of Manco S.p.A. (Euro 26.172 thousand related to the capital increase as share swap) reducing by merger surplus (Euro -560 thousand);
- the decresing of share capital of Partner company during the corporate restructuring (9.240 thousand);
- the negative reserve related to the IPO cost (Euro -874 thousand) and the negative reserve related to the application of the FTA in Equita Group (Euro 161 thousand);

During the 2018 have been distribuited reserves for Euro 5,7 Milion.

Shareholders' equity breakdown referred to the availability and the usability in accordance with the art. 2427, paragraph 1, n. 7-bis Civil Code.

	Amount	Type of use	Anmount available	Summary of the uses in the previous 3 years	
				For loss allowance	For other purposes
Share capital	11.376.345				
Revenue reserves	18.198.319	A, B, C		18.198.319 (1)	
Legal reserve					
Retained earnings					
IAS reserves	510.051	B (2)			
Merger Surplus					(2.380.625)
Treasury shares:	2.074				
Extraordinary reserve	32.703.331	A, B, C,		32.703.331	
Merger Surplus*	(560.808)				
IAS reserves	(161.013)				
IPO reserves	(873.988)				
Valuation reserves - IAS 19	2.074				
Treasury reserves	(4.548.025)				
Total			**50.901.650**		
Amount non-distributable			5.744.636		
Remaining distributable amount			45.157.013		

Legend
A: available for increasing in capital
B: available for loss allowance
C: available for distribution to shareholders

NOTE:
1) In accordance to art. 2431 Italian Civil Code the full amount of this reserve can be used only when the legal reserve reached the limit set by the art. 2430 of italian Civil Code.

Other information

Financial asset and financial liability subject to on balance sheet netting or to master netting agreements

In accordance with the IAS 32, paragraph 42 a financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when an entity:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

No operation performed by the Company is subject to on-balance sheet netting.

Security lending transactions

The Company didn't carry out any security lending transaction during the year.

Assets used to guarantee own liabilities and commitments

The Company has no asset used to guarantee own liabilities and commitments.

Information about joint operations

The Company didn't carry out joint operations during the year.

Part C – Information on the income statement

Section 4 – Net income related to other financial assets or liabilities measured at fair value through profit or loss – Line items 40

4.2 Composition of Net income related to other financial assets or liabilities measured at fair value through profit or loss: other financial assets mandatorily measured at fair value

Items/Counter-entry to income and expense	Unrealized Capital gains (A)	Realised profits (B)	Unrealized Capital losses (C)	Realised losses (D)	Net Profit (loss) [A+B-C-D]
1. Financial assets					
1.1 Debt securities					
1.2 Equity securities and units in UCIs			187,081		(187,081)
1.3 Loans					
2. Financial assets: exchange differences					
Total			187,081		(187,081)

Section 5 – Commissions– Line items 50 and 60

5.1 Composition of "Commission income"

	31/12/2018	31/12/2017
1. Proprietary trading		
2. Execution of orders on behalf of customers		
3. Placement and distribution		
- of securities		
- of third party services:		
. portfolio management		
. collective management		
. insurance products		
. Others		
4. Portfolio management		
- proprietary		
- delegated by third parties		
5. Receipt and transmission of orders		
6. Investment advice		
7. Financial structuring advice		
8. Management of multilateral trading facilities		
9. Custody and administration		
10. Currency trading		
11. Other services	128,767	
Total	128,767	

5.2 Composition of "Commission expense"

	31/12/2018	31/12/2017
1. Proprietary trading		
2. Execution of orders on behalf of customers		
3. Placement and distribution		
- of securities		
- of third party services:		
. portfolio management		
. Other		
4. Portfolio management		
- proprietary		
- delegated by third parties		
5. Order collection		
6. Investment advice and management		
7. Custody and administration		
8. Other services	5,681	1,540
Total	**5,681**	**1,540**

Section 6 – Interest – Line items 70 and 80

6.1 Composition of "Interest and similar income"

	Debt securities	Loans	Other transactions	31/12/2018	31/12/2017
1 Financial assets at fair value through profit or loss					
1.1 Financial assets held for trading					
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily at fair value			19,500	19,500	
2 Financial assets at fair value through other comprehensive income					
3 Financial assets at amortised cost					
3.1 Due from banks			759	759	450
3.2 Due from financial institutions			12,451	12,451	
3.3 Due from customers					
4 Other assets					
5 Hedging derivatives					
6 Financial liabilities					
Total			**32,710**	**32,710**	**450**

6.2 Composition of "Interest and similar expense"

	Debt securities	Other debts	Securities	Other	31/12/2018	31/12/2017
1 Financial liabilities at amortised cost						
1.1 Due to banks		451			451	143,669
1.2 Due to financial institutions						
1.3 Due to customers						
1.4 Debt securities in issue						
2 Financial liabilities held for trading						
3 Financial liabilities designated at fair value						
4 Other liabilities						
5 Hedging derivatives						
6 Financial assets						
Total		**451**			**451**	**143,669**

Section 7 – Dividends and similar income – Line item 90

7.1 Composition of "Dividends and similar income"

		31/12/2018		31/12/2017	
		Dividends	Similar revenues	Dividends	Similar revenues
A	Financial assets held for trading				
B	Other financial assets mandatorily at fair value				
C	Financial assets at fair value through other comprehensive income				
D	Equity investments	6,898,449		5,230,760	
	Total	**6,898,449**		**5,230,760**	

This item consists solely of dividends from Equita SIM S.p.A. (100% owned)

Section 9 – Administrative expenses – Line item 140

9.1 Composition of "Personnel expenses"

	31/12/2018	31/12/2017
1. Employees		
a) wages and salaries	1.726.613	
b) social charges	457.417	
c) employee termination indemnities		
d) social charges	1.382	
e) accrual to the employee termination indemnities	105.322	
f) accrual to the retirement fund and other obligations		
- defined contribution		
- defined benefit		
g) payments to external supplementary pension funds:		
- defined contribution		
- defined benefit		
h) other expenses	42.993	
2. Other personnel in service	832	
3. Directors and statutory auditors	538.674	294.532
4. Retired personnel		
5. Expense reimbursements for employees seconded to other companies		
6. Expense reimbursements for employees seconded within the Company	(306.826)	
Total	**2.566.407**	**294.532**

9.2 Average number of employees by category

	31/12/2018	31/12/2017
Executives	5	
Middle management	3	
Other personnel	2	
Total	**9**	

9.3 Composition of "Other administrative expenses"

	31/12/2018	31/12/2017
a) Expenses for technology and systems	37.889	22.936
b) Expenses for info providers and communication technology		
c) Rent and management of premises		
d) Professional consultancy	285.067	268.833
e) Auditors' fees and Consob	39.500	29.524
f) Commercial expenses	69.267	
g) Printing, stationery and periodical	24.113	
h) Training courses and insurance	15.130	
i) General and support services		
l) Miscellaneous expenses	286.490	269.197
m) Rating expenses	1.201.563	268.745
Total	**1.959.019**	**859.235**

Section 12 – Net (losses) recoveries on impairment of intangible assets – Line item 170

12.1 Composition of "Net (losses) recoveries on impairment of intangible assets"

	Depreciation	Adjustments for impairment	Reversals	Net result
1. Other intangible assets other than goodwill				
1.1 Owned assets				
- internally generated				
- others	1,595			1,595
1.2 Finance leases				
Total	**1,595**			**1,595**

Section 13 – Other operating income and expense – Line item 180

13.1 Composition of "Other operating income and expense"

	31/12/2018	31/12/2017
1. Other operating income		
a) prior year income	68,648	
b) miscellaneous income	125,000	18,097
Total income	**193,648**	**18,097**
2. Other operating expense		
a) prior year expense	63,958	
b) miscellaneous expense	82,216	
Total expense	**146,173**	
Net result	**47,475**	**18,097**

Section 14 – Profit (loss) on equity investments – Line item 200

14.1 Composition of "Profit (loss) on equity investments"

	31/12/2018	31/12/2017
1. Income		
1.1 Revaluations		
1.2 Gains on disposal		
1.3 Writebacks		
1.4 Other gains		223
2. Expenses		
2.1 Writedowns		
2.2 Losses on disposal		
2.3 Impairment losses		
2.4 Other expenses		
Total		**223**

Section 18 – Income tax for the year on ordinary operations – Line item 250

18.1 Composition of "Income tax for the year on ordinary operations"

		12/31/2018	12/31/2017
1.	Current taxes	(1,083,235)	582,882
2.	Changes in prior years' current taxes		
3.	Reduction of current taxes for the year		(1,084,121)
3.bis	Reduction of current taxes for the year for tax credits pursuant to Law no. 214/2011		
4.	Change in deferred tax assets	(37,978)	(3,752)
5.	Change in deferred tax liabilities		
	Taxes relating to the year	**(1,121,213)**	**(504,991)**

18.2 Reconciliation between theoretical tax charge and actual tax charge

	€ / 000	Tax rate %
Gross profit for the year	2,387	
Theoretical tax charge	789	33.05%
Tax effect of costs non-deductible either wholly or in part	27	1.13%
Tax effect of costs income not taxed either wholly or in part	(1,943)	-81.40%
Tax effect of ACE benefits	(137)	-5.74%
Tax effect of other changes	144	6.03%
Effective tax charge	(1,120)	-46.92%

Part D – Other information

Section 3 – Equity disclosures

3.1 Equity

3.1.1 Disclosures of a qualitative nature

Equity consists mainly of fully subscribed and paid-up share capital, capital reserves and the share premium reserve.
In addition to retained earnings, revenue reserves consist of the legal reserve, the bylaws reserve and a part of the merger surplus.

3.2 Own funds and regulatory coefficients

The Company, thanks to its own nature of non financial entity, is not directly subject to the directive on Capital requirements set out for Banks and SIMs, but is bound to it by its status of Parent Company of a financial entity.

Section 4 – Analytical schedule of comprehensive income

	Items	2018	2017
10	**Profit (loss) for the year**	3,508,378	4,455,544
	Other comprehensive income not reclassified to profit or loss		
20	Equity instruments designated at fair value through other comprehensive income:		
	a) fair value changes		
	b) tranfers to other shareholders' equity items		
30	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes		
	a) fair value changes		
	b) tranfers to other shareholders' equity items		
40	Hedge accounting of equity instruments measured at fair value through other comprehensive income:		
	a) fair value change (hedged instrument)		
	b) fair value change (hedging instrument)		
50	Property, plant and equipment		
60	Intangible assets		
70	Defined benefit plans	**2,729**	
80	Non-current assets and disposal groups classified as held for sale		
90	Part of valuation reserves from investments valued at equity method		
100	Tax expenses (income) relating to items not reclassified to profit or loss	(655)	
	Other comprehensive income reclassified to profit or loss		
110	Foreign investments hedging		
	a) fair value changes		
	b) reclassification to profit or loss		
	c) other changes		
	of which: net position		
120	Foreign exchange differences		
	a) fair value changes		
	b) reclassification to profit or loss		
	c) other changes		
130	Cash flow hedging		
	a) fair value changes		
	b) reclassification to profit or loss		
	c) other changes		
	of which: net position		
140	Hedging instruments (non-designated items)		
	a) fair value changes		
	b) reclassification to profit or loss		
	c) other changes		
150	Financial assets (different from equity instruments) at fair value through other comprehensive income:		
	a) fair value changes		
	b) reclassification to profit or loss		
	- impairment losses		
	- gains/losses on disposals		
	c) other changes		

Items	2018	2017
160 Non-current assets and disposal groups classified as held for sale		
a) fair value changes		
b) reclassification to profit or loss		
c) other changes		
170 **Part of valuation reserves from investments valued at equity method**		
a) fair value changes		
b) reclassification to profit or loss		
- impairment losses		
- gains/losses on disposals		
c) other changes		
180 Tax expenses (income) relating to items reclassified to profit or loss		
190 Total other comprehensive income	2,074	
200 Other comprehensive income (Voce 10+190)	**3,510,452**	**4,455,544**

Section 5 – Related party transactions

Hereafter are detailed the information about remuneration of key personnel management and the transactions with related parties, as defined by IAS 24.

5.1 Disclosures on remunerations of key personnel management

Key management personnel, meaning those persons having authority and responsibility for planning, directing and controlling the activities of the parent company, directly or indirectly, including directors and members of the Board of Statutory Auditors.

- Remunerations paid to "Key management personnel", directors and member of the Board of Staturory Auditors: Euro 952,334;
- Short term benefits recognised for about Euro 2,847,000.

5.2 Loans and guarantees provided to Directors or members of the Board of Statutory Auditors

There is no operation to report.

5.3 Disclosures on transactions with related parties

Transactions with related parties, as defined by IAS 24 and compliant with the requirements concerning related parties issued by Borsa Italiana in May 2012, and by Consob Regulation no. 17221, art.4, issued on 12 March 2010 (and its subsequent amendments) concerning operations mainly with commercial and financial nature.
In 2018 there is no transaction with related parties other than the intra-group operations.

Section 6 – Disclosures on structured entities

There are no disclosures to report in this respect.

Section 7 – Other disclosures

Disclosure of audit fees and fees for services other than audit

As required by article 149 – duodecies of the Issuers' Regulation adopted by Consob by way of Resolution no. 11971/1999 the following table sets out the fees relating to the year for services provided to the Company by the audit firm and other entities belonging to the audit firm's network:

Items	Amount (€)	Auditing firm
Auditing (*)	139,108	KPMG S.p.A.
Certificate services (**)	300,000	KPMG S.p.A.
Others	15,000	KPMG Advisory S.p.A.
TOTAL	**454,108**	

Excluding VAT.

Public disclosures

Equita Group has a corporate website www.equita.eu to make public disclosure of the information required by part eight, Titles I and II of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26th, 2013 on prudential requirements for credit institutions and investment firms.

p. il Consiglio di Amministrazione
The Chief Executive Officer
Andrea Vismara

Milan, March 13th, 2019

EQUITA Group S.p.A.

Phone +39 (02) 62041
Info info@equita.eut
Web Site www.equita.eu

Graphic Design by Roberta Reposo
Alessandra Traldi

EQUITA Group S.p.A.

Phone: +39 (02) 62041
Info: info@equita.eu
Web Site: www.equita.eu

EQUITA