Annual Financial Statements as at 31 December 2018

- Statement of Financial Position
- Statement of Income
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- Notes to the Financial Statements

Statement of Financial Position - Parent Company

(EUR)	Note	31.12.2018	01.01.2018 (*)	31.12.2017 (^)
ASSETS				
Non-current assets				
Intangible and tangible assets				
Intangible assets	1a	0	2,129	2,129
Tangible assets	1b	104,843	210,600	210,600
Total intangible and tangible assets		*104,843*	*212,729*	*212,729*
Investments				
Subsidiaries and joint ventures	2a	212,907,710	175,187,744	175,187,744
Associates	2b	11,187,597	18,953,485	18,953,485
Available-for-sale investments	2c	0	0	78,898,520
Other Investments at Fair Value through P&L	2d	50,912,374	78,898,520	0
Available-for-sale funds	2e	0	0	126,614,722
Funds at Fair Value through P&L	2f	98,668,127	126,614,722	0
Total Investments		*373,675,808*	*399,654,471*	*399,654,471*
Other non-current assets				
Deferred tax assets	3a	0	0	0
Total other non-current assets		*0*	*0*	*0*
Total non-current assets		**373.780.651**	**399.867.200**	**399.867.200**
Current assets				
Trade receivables	4a	310,122	757,535	757,535
Financial receivables	4b	1	1	1
Tax receivables from Parent companies	4c	0	900,043	900,043
Other tax receivables	4d	3,590,820	719,662	719,662
Other receivables	4e	495,382	512,666	512,666
Cash and cash equivalents	4f	100,732,781	90,244,529	90,244,529
Total current assets		*105,129,106*	*93,134,436*	*93,134,436*
Total current assets		**105.129.106**	**93.134.436**	**93.134.436**
Held-for-sale assets	5	**0**	**0**	**0**
TOTAL ASSETS		**478.909.757**	**493.001.636**	**493.001.636**
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	6a	306,612,100	306,612,100	306,612,100
Share premium reserve	6b	240,858,282	271,308,709	271,308,709
Legal reserve	6c	61,322,420	61,322,420	61,322,420
Own share reserve	6d	(82,765,896)	(80,026,180)	(80,026,180)
Fair Value reserve	6e	0	0	61,274,325
Other reserves	6f	(5,737,177)	(6,274,006)	(6,274,006)
Retained earnings (losses)	6g	(62,519,812)	(25,768,488)	(87,042,813)
Profit/(loss) for the year	6h	17,303,851	(36,600,543)	(36,600,543)
Shareholders' equity		**475.073.768**	**490.574.012**	**490.574.012**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	3a	0	0	0
Provisions for employee termination benefits	7a	318,288	320,572	320,572
Total non-current liabilities		**318.288**	**320.572**	**320.572**
Current liabilities				
Trade payables	8a	1,259,579	1,023,776	1,023,776
Payables to staff and social security organisations	8b	830,258	821,314	821,314
Tax payables to Parent company	8c	1,132,133	0	0
Current tax payables to Subsidiaries	8d	63,926	63,926	63,926
Other tax payables	8e	214,990	187,678	187,678
Other payables	8f	16,815	10,358	10,358
Total current liabilities		**3.517.701**	**2.107.052**	**2.107.052**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**478.909.757**	**493.001.636**	**493.001.636**

(*) Figures at 31.12.2017 reclassified / restated for application IFRS 9.
(^) It is noted that the composition of Equity items as at 31 December 2017 has been modified in order to make it comparable with 31 December 2018, highlighting separately the specific item Treasury Shares Reserve. For further details, refer to the description in the section Structure and Content of the Annual Financial Statements.

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

Statement of Income - Parent Company

It is noted that following the introduction of IFRS 9 starting from 1 January 2018, all the changes in the fair value of financial investments are recorded in the income statement in 2018, while they were directly recorded in equity in 2017; the comparison at the level of the Income Statement of the Parent Company between 2018 and 2017 is therefore not significant with reference to the performance of Other Investment income/expense.

(EUR)	Note	Year 2018	Year 2017
Dividends from Subsidiaries and joint ventures	9a	7,720,507	12,151,956
Profit/(loss) from valuation in Subsidiary companies	9a	34,138,350	(27,806,194)
Profit/(loss) from valuation in Related companies	9a	(848,634)	(186,108)
Profit/(loss) from valuation in other investments	9a	(17,105,204)	(18,605,812)
Income from services	9b	2,594,113	3,171,961
Other income	9c	85,548	956
Personnel costs	10a	(3,331,902)	(3,660,759)
Service costs	10b	(4,809,018)	(4,648,853)
Depreciation, amortization and impairment	10c	(116,019)	(141,064)
Other expenses	10d	(61,793)	(47,908)
Financial income	11a	325,868	73,463
Financial expenses	11b	(201,861)	(8,673)
PROFIT/(LOSS) BEFORE TAX		**18.389.955**	**(39.707.035)**
Income tax	12a	(1,086,104)	936,164
Deferred tax	12b	0	1,823,637
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**17.303.851**	**(36.947.234)**
Profit (Loss) from discontinued operations/held-for-sale assets	13	0	346,691
PROFIT/(LOSS) FOR THE YEAR		**17.303.851**	**(36.600.543)**
Earnings per share, basic (€)	14	0.07	(0.14)
Earnings per share, diluted (€)	14	0.07	(0.14)

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

Statement of Comprehensive Income (Statement of Performance - IAS 1)

Comprehensive income or the Statement of Performance (IAS 1), in which performance for the year is reported, including results posted directly to shareholders' equity, reflects a net positive balance of approximately EUR +17,326 thousand compared with a net negative balance of around EUR -1,401 thousand in 2017. This comprises:

- net profit of EUR +17,304 thousand recorded on the Income Statement;
- results recognised directly in Equity totalling EUR +22 thousand, attributable to actuarial gains/losses on the end-of-service payment fund.

(in EUR)	**31.12.2018**	**31.12.2017**
Profit/(loss) for the year (A)	**17.303.851**	**(36.600.543)**
Components that may be subsequently restated under Profit/(Loss) for the year	0	35,177,434
Profits/(Losses) from recalculation of available-for-sale financial assets	*0*	*35,177,434*
Components that will not be subsequently restated under Profit/(Loss) for the year	22,294	22,294
Actuarial Profits/(Losses) to be revalued in defined benefit plans	*22,294*	*22,294*
Total other Profit/(Loss), net of tax effect (B)	**22,294**	**35,199,728**
Total comprehensive Profit/(Loss) for the year (A)+(B)	**17,326,145**	**(1,400,815)**

Cash flow statement - Parent Company - Direct method

(EUR thousand)	Financial year 2018	Financial year 2017
CASH FLOW from operating activities		
Investments in funds and shareholdings	(50,313)	(46,361)
Proceeds from the sale of investments	0	17,794
Capital reimbursements from funds and shareholdings	54,992	58,796
Interest received	30	59
Exchange gains (losses)	1	(3)
Taxes paid	(3,120)	(44)
Taxes refunded	1,403	1,683
Dividends received	45,311	30,416
Revenues for services	633	1,235
Intragroup revenues for services	3,316	2,599
Intragroup operating expenses	(1,092)	(620)
Operating expenses	(7,030)	(7,126)
Net cash flow from investments	**44,131**	**58,428**
CASH FLOW from investment activities		
Acquisition of property, plant and equipment	(8)	(18)
Sale of property, plant and equipment	0	2
Sale of property, plant and equipment ICO	0	2
Net cash flow from investments	**(8)**	**(14)**
CASH FLOW from financial activities		
Share capital issued: stock option plan	0	276
Purchase of own shares	(3,187)	(8,043)
Dividends paid	(30,448)	(31,154)
Short-term intragroup loans	0	2,130
Net cash flow from financial activities	***(33,635)***	***(36,791)***
NET INCREASE IN CASH AND CASH EQUIVALENTS	**10,488**	**21,623**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**90,245**	**68,622**
Initial cash and cash equivalents of companies merged in the period	0	0
Cash and cash equivalents of assets at beginning of period	**90.245**	**68.622**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**100,733**	**90,245**
Held-for-sale assets	0	0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**100,733**	**90,245**

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

Statement of changes in the shareholders' equity accounts of the Parent Company DeA Capital S.p.A. (#)

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Reserve of own shares	Fair value reserves	Share issued costs reserve
Total at 31.12.2016	**261,207**	**267,640**	**61,322**	**0**	**26,097**	**0**
Allocation of Profit	0	0	0	0	0	0
Own shares delivered for incentive plans	481	254	0	0	0	0
Performance shares cost	0	0	0	0	0	0
Purchase of own shares	(6,018)	(2,024)	0	0	0	0
Dividend paid 2017	0	(31,157)	0	0	0	0
Total comprehensive Profit/ (Loss) for 2017	0	0	0	0	35,177	0
Total at 31.12.2017	**255,670**	**234,713**	**61,322**	**0**	**61,274**	**0**
Reclassification of reserve of own shares	50,942	29,084	0	(80,026)	0	0
Reclassification of reserve relating to shares issued costs and other reserves	0	7,512	0	0	0	(7,828)
Total at 31.12.2017 "Post Reclassification"	**306,612**	**271,309**	**61,322**	**(80,026)**	**61,274**	**(7,828)**

(#) It is noted that the composition of Equity items as at 31 December 2017 has been modified in order to make it comparable with 31 December 2018, highlighting separately the specific item Treasury Shares Reserve. For further details, refer to the description in the section Structure and Content of the Annual Financial Statements.

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Reserve of own shares	Fair value reserves	Share issued costs reserve
Total at 31.12.2017 "Post Reclassification"	**306,612**	**271,309**	**61,322**	**(80,026)**	**61,274**	**(7,828)**
Reclassification for application of IFRS 9	0	0	0	0	(61,274)	0
Total at 1.01.2018	**306,612**	**271,309**	**61,322**	**(80,026)**	**0**	**(7,828)**
Allocation of Profit	0	0	0	0	0	0
Own shares delivered for incentive plans	0	0	0	446	0	0
Performance shares cost	0	0	0	0	0	0
Purchase of own shares	0	0	0	(3,186)	0	0
Dividend paid 2018	0	(30,450)	0	0	0	0
Total comprehensive Profit/ (Loss) for 2018	0	0	0	0	0	0
Total at 31.12.18	**306,612**	**240,859**	**61,322**	**(82,766)**	**0**	**(7,828)**

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

Stock options/ performane shares reserve	Reserve for sale of option rights/warrant subcriptions	Reserve for the IDeA AI merger	Reserve for actuarial gains / losses	Profit/(Loss) carried forward	Profit/ (Loss)	Total
973	**413**	**(831)**	**(55)**	**(94,669)**	**7,574**	**529,671**
0	0	0	0	7,574	(7,574)	0
(511)	0	0	0	52	0	276
1,227	0	0	0	0	0	1,227
0	0	0	0	0	0	(8,042)
0	0	0	0	0	0	(31,157)
0	0	0	22	0	(36,601)	(1,402)
1,689	**413**	**(831)**	**(33)**	**(87,043)**	**(36,601)**	**490,573**
0	0	0	0	0	0	0
0	316	0	0	0	0	0
1,689	**729**	**(831)**	**(33)**	**(87,043)**	**(36,601)**	**490,573**

Stock options/ performane shares reserve	Reserve for sale of option rights/warrant subcriptions	Reserve for the IDeA AI merger	Reserve for actuarial gains / losses	Profit/(Loss) carried forward	Profit/ (Loss)	Total
1,689	**729**	**(831)**	**(33)**	**(87,043)**	**(36,601)**	**490,573**
0	0	0	0	61,274	0	0
1,689	**729**	**(831)**	**(33)**	**(25,769)**	**(36,601)**	**490,573**
0	0	0	0	(36,601)	36,601	0
(296)	0	0	0	(150)	0	0
826	0	0	0	0	0	826
0	0	0	0	0	0	(3,186)
0	0	0	0	0	0	(30,450)
0	0	0	7	0	17,304	17,311
2,219	**729**	**(831)**	**(26)**	**(62,520)**	**17,304**	**475,074**

Notes to the Financial Statements
Annual Financial Statements as at 31 December 2018

Notes to the Financial Statements
Annual Financial Statements as at 31 December 2018

A. Structure and content of the Financial Statements

DeA Capital S.p.A. (hereinafter also the Company or the Parent Company or DeA Capital) is a company limited by shares with its registered office in Via Brera 21, Milan.

Following the merger by incorporation of the Luxembourg company DeA Capital Investments S.A. in 2014, a Luxembourg branch was opened as a secondary office. Subsequently, on 1 September 2016, a secondary office was opened at via Mercadante 18 in Rome.

The financial statements were prepared in accordance with the general principles of IAS 1, specifically:
- the matching principle: the effect of events and transactions is recorded when they occur, and not when payment is made or received;
- the going concern principle: the financial statements are prepared under the assumption that business operations will continue for the foreseeable future. In this regard, the directors have evaluated this assumption with particular scrutiny in light of the current economic and financial crisis. As indicated in the section "Uncertainties and the management of financial risks" in the Report on Operations, the directors believe that the risks and uncertainties described therein are not critical in nature, confirming the financial solidity of the Parent Company, DeA Capital S.p.A.;
- the materiality principle: when reporting operating events in accounting entries, preference is given to the principle of economic substance over form;
- the accounting comparability principle: annual financial statements must show comparative information for the previous period.

In this regard, it is noted that the classification of Equity items as at 31 December 2017 has been modified in order to make it comparable with 31 December 2018. In particular, the following was stated:
- **Share capital gross of portfolio treasury shares;**
- **Share Premium reserve gross of portfolio treasury shares and gross of the reserve related to the issue costs of the shares and warrants;**
- **specific treasury shares reserve;**
- **reserve related to the issue costs of the shares and warrants included in the item Other Reserves.**

It is also noted that, following the introduction of the new classification and measurement rules envisaged by IFRS 9 starting from 1 January 2018, it became necessary to restate the accounting balances as at 31 December 2017. Therefore, in the Balance Sheet, the following was stated as comparison with the balances as at 31 December 2018:
- **the figures as at 31 December 2017 resulting from the financial statements approved with the existing structure/classification, in particular with regard to financial instruments;**
- **the figures as at 1 January 2018, or the figures as at 31 December 2017 re-expressed on the basis of the new classification required by IFRS 9. For further details, refer to the section Changes in accounting standards and errors - Reclassification/Restatement.**

The DeA Capital Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income (Statement of Performance - IAS 1), the Cash Flow Statement, the Statement of Changes in Shareholders' Equity and these Notes to the Financial Statements.

The Statement of Financial Position provides a breakdown of current and non-current assets and liabilities with separate reporting for those resulting from discontinued or held-for-sale operations.

In the Income Statement, the Company has adopted the "nature of expense" method, whereby costs and revenues are classified based on their nature.

The Cash Flow Statement is prepared using the direct method.

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

As Parent Company, DeA Capital S.p.A. has also prepared the Consolidated Financial Statements for the DeA Capital Group at 31 December 2018.
In addition to the figures as at 31 December 2018, the financial statement formats used also provide comparable figures for 31 December 2017.

The publication of the draft Financial Statements as at 31 December 2018 was authorised by resolution of the Board of Directors dated 07 March 2019.

Statement of compliance with accounting standards

The Financial Statements as at 31 December 2018 (2018 Financial Statements) have been prepared in accordance with the International Accounting Standards adopted by the European Union and approved by the date the financial statements were prepared, hereinafter the International Accounting Standards, or individually IAS/IFRS, or collectively IFRS (International Financial Reporting Standards). In preparing the Annual Financial Statements, all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), and approved by the European Union, were also applied.

The Financial Statements were prepared with a focus on clarity, and provide a true and fair view of the balance sheet position, financial situation, financial results and cash flows for the period.

Reclassification / Restatement

Following the application starting from 1 January 2018 of IFRS 9, the reclassification / restatement of the Financial Statements as at 31 December 2017 was necessary in order to reflect the impacts.
The changes are attributable to:
- reclassification from equity investments in other companies available for sale of EUR 78,898,520 in Other companies measured at fair value through P&L;
- reclassification from funds available for sale of EUR 50,884,465 in funds measured at fair value through P&L.

No restatement / reclassification was instead necessary in the income statement as it was not required by IFRS 9.

Accounting standards, amendments and interpretations applied as of 1 January 2018

The IASB-approved international accounting standards and interpretations authorised for adoption in Europe that were applied for the first time from 1 January 2018 are detailed below.
The Company did not apply any IFRS in advance.

IFRS 9 (Financial instruments)

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

In particular, the standard contains a framework for the measurement of financial assets based on three business models:
- Hold to collect (HTC), or financial assets held with the aim of collecting cash flows contractually envisaged. In this case, the valuation criterion that can be adopted is the amortised cost (in the event of passing the SPPI Test - Solely payment of principal and interest) or the Fair Value through profit and loss (FVTPL);
- Hold to collect and sale (HTC&S), or financial assets held both with the aim of collecting cash flows contractually envisaged, and of selling them. In this case, the valuation criterion that can be adopted is the Fair Value through other comprehensive income (FVOCI) or the Fair Value through profit and loss (FVTPL);
- Other business models: in this case, the valuation criterion that can be adopted is the Fair Value through profit and loss (FVTPL).

The classification of financial assets is also guided by the contractual characteristics of the cash flows of financial instruments, to the extent that, in the absence of certain characteristics, the classification in some of the categories defined above is precluded.

The standard also provides for a new impairment model that differs from the one previously required by IAS 39 and based mainly on the concept of expected losses.
The standard applies as of 1 January 2018, except for Hedge Accounting, for which it is possible to opt temporarily for the maintenance of the IAS 39 framework.

The application of this standard by the Company concerned:
d) the classification and valuation of financial assets;
e) the determination of impairment of trade and financial receivables;
f) the treatment of hedge accounting.

a. Classification and measurement of financial assets

On 1 January 2018, the new international accounting standard IFRS 9 Financial Instruments came into effect to replace IAS 39 Financial Instruments: Recognition and Measurement for the valuation and accounting of financial assets.
IFRS 9 provides that the classification of financial assets pertaining to the DeA Capital S.p.A. Group (hereinafter also the Company) is guided, on the one hand, by the characteristics of the related contractual cash flows and, on the other, by the management intent (Business Model) for which these assets are held.

According to IFRS 9, financial assets are classified into three categories:
- Financial assets measured at amortised cost;
- Financial assets measured at Fair value with changes in equity (Fair Value Other Comprehensive Income) – FVOCI;
- Financial assets measured at Fair value with changes in the income statement (Fair Value through Profit and Loss) – FVTPL.

The classification and measurement of financial assets, represented by receivables, securities and debt instruments, involves a two-step approach:
1. definition of the Business Model based on the type of financial asset portfolios as defined below;
2. assessment of the characteristics of the contractual cash flows of the instrument identified.

The application of IFRS 9 by the DeA Capital Group concerned the following categories of financial assets:

1) Investment funds

Investment funds (listed and unlisted) until 31 December 2017 measured at fair value and classified as **available for sale (AFS)**, with gains and losses recognised in the statement of other components of the comprehensive income statement and reversal to the Income statement of the effects accrued at the date of the possible sale of the instrument or in the event of impairment loss, starting from 1 January 2018, continue to be measured at fair value but with changes in value recorded directly in the income statement.

The net equity item AFS Reserve accrued as at 31 December 2017, net of related tax effects recognized as Tax Asset and/or Tax Liabilities, have been reclassified under the shareholders' equity item Profits (losses) previous years carried forward leaving the starting net equity as at 1 January 2018 unchanged.

The choice of the aforementioned accounting approach (fair value with changes in value recognised directly in the income statement) depended on the qualification of investment funds which, according to the IAS 32 framework, have characteristics such as to be classified as debt instruments, as furthermore clarified by IFRIC in May 2017. Failure to pass the SPPI Test (Solely payment of principal and interest) required by IFRS 9 for these instruments (due to the fact that the cash flows generated by them are not exclusively attributable to the payment of principal and interest), does not in fact, allow recognition at amortised cost or as HTC&S instruments measured at fair value with balancing entry in an equity reserve and imposes fair value through profit and loss.

2) Shares

Shares (listed and unlisted) until 31 December 2017 measured at fair value and classified as **available for sale (AFS)**, with gains and losses recognised in the statement of other components of the comprehensive income statement and reversal to the Income statement of the effects accrued at the date of the possible sale of the instrument or in the event of impairment loss, starting from 1 January 2018, continue to be measured at fair value. IFRS 9 provides fair value as the sole measurement criterion for investments in equity instruments.
Portfolio shares at 31 December 2017 and 31 December 2018 are not held for trading purposes (for which there is no difference in treatment between IAS 39 and IFRS 9) and therefore according to IFRS 9, the Group may decide with reference to each stock investment (instrument-by-instrument) if the changes in the value of the stock are recognised directly in the income statement (similar to the treatment required for held-for-trading positions) or,

alternatively, definitively as equity (without any reversal to the income statement not even in the case of realised gains/losses).

The Company has decided to record the changes in the value of this category of assets directly in the Income Statement.

The net equity item AFS Reserve accrued as at 31 December 2017, net of related tax effects recognised as Tax Asset and/or Tax Liabilities, have been reclassified under the shareholders' equity item Profits (losses) previous years carried forward leaving the starting net equity at 1 January 2018 unchanged.

3) Bonds

Listed bond securities, until 31 December 2017 measured at fair value and classified as **available for sale (AFS)**, with gains and losses recognised in the statement of other components of the comprehensive income statement and reversal to the Income statement of the effects accrued at the date of the possible sale of the instrument, starting from 1 January 2018, continue to be measured at fair value. In accordance with IFRS 9, this type of asset can be measured at fair value (as an alternative to amortised cost); changes in the value of these securities may be recorded directly in the Income Statement or as an alternative in Equity (OCI) with subsequent reversal to the Income Statement at the time of transfer of the security (except for interest accrued based on the effective interest rate that is in any case recorded in the Income Statement on an accrual basis and any expected from Impairment), depending on the underlying Business Model.

All the listed bonds of the Company in portfolio as at 31 December 2017 and 31 December 2018 have plain vanilla characteristics that allow passing the SPPI Test; however, since the underlying business model cannot be qualified as Hold to Collect (i.e. securities purchased to be held in the portfolio until maturity), they cannot be valued on the basis of IFRS 9 at amortised cost. The Business Model underlying the holding of such securities is mixed, i.e. it provides for the possibility of collecting the contractual cash flows deriving from such securities, and the possibility of selling them, and therefore, these securities must be measured at fair value with the changes in value recorded in the comprehensive income statement (OCI) in continuity with the accounting treatment adopted up to 31 December 2017 previously provided for by IAS 39 for financial instruments classified as available for sale.

b. Impairment loss on trade and financial receivables

IFRS 9 introduced the obligation to measure impairment on trade receivables and financial assets in terms of expected loss, while the impairment test of financial assets required by IAS 39 was based on incurred losses following one or more trigger events that occurred after initial recognition.

The IASB therefore envisaged a single new model for the recognition of impairment (the expected credit losses model - ECL) applicable to all financial instruments subject to impairment accounting (with the exception of financial assets valued at FVPL) which allows for more timely recognition of expected losses, thus adapting the provisioning policies.

At each reference date of the financial statements, the entity must evaluate the provision to cover losses relating to the financial instrument and recognise an amount equal to the expected losses throughout the life of the receivable, if the credit risk of the financial instrument is significantly increased after initial recognition.

Expected credit losses (ECL) is defined by the standard as the average of credit losses weighted for the respective default risks. In general, this estimate takes into account three risk parameters: the probability of default, the percentage of loss in the event of insolvency and the estimate of credit exposure upon the occurrence of insolvency.

The new impairment model also introduces the concept of stage and the three stages - expected loss approach. The guiding principle is to reflect the general pattern of deterioration of the credit quality of financial instruments with respect to initial recognition:

- Stage 1: applies to financial assets for which there has not been significant deterioration in credit quality since the date of initial recognition or which have low credit risk at the reporting date. For these financial assets, a write-down equal to the losses expected in the following 12 months must be recognised (12 month expected credit losses). The 12 month expected credit losses are determined by multiplying the probability of a loss in the following 12 months by the overall loss expected on the financial instrument in the event of default;

- Stage 2: applies to financial assets for which there has been significant deterioration in credit quality from the date of initial recognition, but for which there is no objective evidence of a loss event. For these financial assets, the write-down is determined on the basis of the total expected loss (lifetime expected credit losses). Lifetime expected credit losses are equal to the present value of expected losses in the event of debtor default. It is therefore necessary to assess future losses and weigh them for the probability of their occurrence;
- Stage 3: applies to financial assets for which there is objective evidence of loss at the reporting date. In this case, it is necessary to determine the write-down in an amount equal to the total expected loss (lifetime expected credit losses). Lifetime expected credit losses are equal to the present value of expected losses in the event of debtor default.

A simplified approach is also envisaged for trade receivables, contract activities and implicit credits in leasing contracts. This approach envisages that the company must always evaluate the provision to cover losses at an amount equal to the losses expected throughout the life of the credit, without carrying out the verification process of the existence of significant deterioration of the customer's credit quality compared to the moment of initial recognition (as envisaged by the general model).

In consideration of the business conducted by the Company and the type of financial assets held, DeA Capital has adopted this simplified model envisaged by IFRS 9, without detecting the need for adjustments with respect to as resulting from the previously adopted reporting method

c. Hedge accounting

No analysis was required for DeA Capital as the Company did not hold derivative financial instruments and had no outstanding hedging transactions as at 31 December 2017 (and not even at 31 December 2018).

IFRS 15 (Revenue from contracts with customers)

On 28 May 2014, the IASB issued IFRS 15 (Revenue from contracts with customers), subsequently amended on 11 September 2015. The standard replaces IAS 18 (Revenue), IAS 11 (Construction contracts), and the interpretations SIC 31, IFRIC 13 and IFRIC 15. It requires revenues to be recognised at the moment of transfer of goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services.

The new model for reporting revenues defines a five-step model for recognising revenues from contracts with customers;
- identifying contracts with the customer;
- identifying performance obligations, i.e. contractual commitments to transfer goods or services to a customer. In particular, IFRS 15 asks to identify the presence of distinct performance obligations within the same contract that must therefore be treated separately;
- determining the transaction price;
- allocating transaction prices to performance obligations;
- reporting the revenues when the relevant performance obligation has been fulfilled. In particular, this occurs when an obligation to do is completed, transferring the good or service to the customer, or the extent to which the customer obtains control of the asset or receives the service. The transfer of control can take place progressively over time or at a specific point in time.

The standard provides for the possibility of choosing between a Full Retrospective Method or a limited application, Cumulative Catch-up Method.

The adoption of this standard, starting from 1 January 2018, did not have any impact on the Company.

Amendments to IFRS 2

On 20 June 2016, the IASB published amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions intended to clarify the accounting treatment for some types of share-based payment transactions.
The amendments, ratified by the European Commission on 26 February 2018, have date of first application from 1 January 2018.

Improvements to IFRS – 2014-2016 cycle

On 8 December 2016, the IASB issued a set of IFRS amendments (Annual Improvements to IFRS – 2014-2016 cycle) which modify three standards: IFRS 1, IFRS 12 and IAS 28. The most important issues dealt with in these amendments were:
- termination of the short-term exemptions for first-time adopters (IFRS 1);
- clarification of the scope of the disclosure specified in IFRS 12 for Assets held for sale;
- measurement of the investments of an associate or joint venture at fair value (IAS 28).

Amendment to IAS 40

On 8 December 2016, the IASB issued some amendments to IAS 40 - Investment Property: Transfers of Investment Property, clarifying the changes in use that result in an asset that is not an investment property being classified as such and vice versa, specifying that a change in use must have occurred. To decide whether a change of use has occurred, an assessment of whether the investment property satisfies the definition must be made. This change must be supported by evidence, as the IASB has confirmed that a change in intention, in isolation, is not enough to support a transfer.
The amendments, ratified on 14 March 2018 by the European Commission, have date of first application from 1 January 2018.

IFRIC 22

On 8 December 2016, the IASB published the new IFRIC 22 - Foreign Currency Transactions and Advance Consideration, which was issued to clarify which exchange rate to use in reporting transactions when payment is made or received in advance.
The new interpretation, ratified by the European Commission on 28 March 2018, has date of first application from 1 January 2018.

IFRS 4 Insurance Contracts - Amendments

The amendment to this standard - published in the Official Journal of the European Union in November 2017 - allows companies that issue insurance contracts to defer the application of IFRS 9 for the accounting of financial investments aligning the date of first application with that of IFRS 17, expected in 2021 (deferral approach) and at the same time eliminating from the income statement some distorting effects deriving from the early application of IFRS 9 with respect to the application of IFRS 17 (overlay approach).

Future accounting standards, amendments and interpretations

Accounting standards, amendments and interpretations that are not yet applicable and have not been adopted in advance by the Company, but were approved for adoption in the European Union as of 07 March 2019

The International Accounting Standards, together with the interpretations and changes to existing IASB-approved accounting standards and interpretations that were ratified for adoption in the European Union on 07 March 2019, are as follows:

IFRS 16 – Leases

On 13 January 2016, the IASB issued the standard IFRS 16 - Leases, which establishes the principles regarding recognition, measurement, disclosure in the financial statements and additional information on leases and fully replaces the previous IAS 17 - Leases and related interpretations (IFRIC 4 - Determining whether a contract contains a lease; SIC 15 - Operating lease - incentives; SIC 27 - Evaluating the substance of transactions in the legal form of a lease). The standard has date of first application from 1 January 2019.

IFRS 16 provides a new definition of lease and introduces a criterion based on the right of use of an asset. With the lease contract, one party (grantor or lessor) grants another party (user or lessee) the right to use an asset (Right of use) for an amount and for a specific period.
Therefore, the definition of lease contracts includes, according to the new standard IFRS 16, in addition to lease contracts, also hire, rental, lease and free loan contracts.

IFRS 16 contains a single model for accounting recognition of leases that eliminates the distinction between operating leases and finance leases from the perspective of the lessee.
All contracts that fall within the definition of lease, (with the exception of short-term leases and low-value item leases for which the lessor has the option of not recognising them based on IFRS 16, par. 5-6) **must be recognised in the balance sheet of lessees as right of use asset and corresponding liability.**

More precisely, at the time of initial recognition the lessee will record the asset consisting of the right of use at **cost** (including the amount of the initial valuation of the liability for the lease, the payments of advance fees net of any incentives received, the direct initial costs incurred by the lessee and the costs of restoration, removal or demolition, (Dismantling cost) and the liability of the lease at the present value of lease payments not paid at that date using the implicit interest rate of the lease, or, if difficult to determine, its marginal lending rate.
Lessees will have to separately account for the interest expenses on the lease liability and amortization of the right to use the asset. Lessees will also have to remeasure the lease liability upon the occurrence of certain events (for example: a change in the conditions of the lease contract, a change in future lease payments resulting from the change of an index or rate used to determine said payments). The lessee will generally recognize the amount of the new measurement of the lease liability as a correction of the right to use the asset.

The accounting treatment envisaged by IFRS 16 for lessees is substantially unchanged with respect to IAS 17; in fact, they will continue to classify all leases distinguishing between financial leases and operating leases depending on whether they have transferred all the risks and benefits associated with ownership of an underlying asset.

IFRS 16 requires less extensive disclosures from lessees and lessors compared to IAS 17.

In the transition phase, the lessee can choose between two different approaches, namely:
- ***full retrospective approach:*** applying IAS 8 Accounting standards, changes in accounting estimates and errors, restating the comparison values for each previous year presented as if the new accounting standard had always been applied;
- ***modified retrospective approach:*** accounting for the cumulative effect of the initial application of the standard on the date of initial application as an adjustment to the opening balance of profits carried forward.

The lessee must apply this choice uniformly to all leases in which it is a lessee.

The Company has started an analysis, still in progress, on the accounting impacts resulting from the introduction of IFRS 16. In particular, DeA Capital has chosen to adopt the modified retrospective approach, with the recognition of the cumulative effect deriving from the recognition of assets consisting of the right of use and the corresponding liabilities as adjustment of the opening balance of the Profits (losses) of previous years carried forward. No significant impacts are expected in terms of equity.

IFRIC 23
On 7 June 2017, the IASB published the new IFRIC 23 - Uncertainty over Income Tax Treatments, which provides indications on how to reflect, in the accounting of income taxes, the uncertainties on the tax treatment of a given phenomenon.
The new interpretation, ratified by the European Commission on 23 October 2018, has date of first application from 1 January 2019.

Amendments to IAS 9 and IAS 28
On 12 October 2017, the IASB published the amendments to IFRS 9 - Prepayment Features with Negative Compensation and to IAS 28 - Long-term interest in Associates and Joint Ventures.

The amendments to IFRS 9 are designed to allow measurement at amortized cost or at fair value through other comprehensive income (OCI) of financial assets characterized by an early repayment option with the so-called negative compensation.

The amendments to IAS 28 - Long-term interest in Associates and Joint Ventures are intended to clarify that IFRS 9 is applied to long-term receivables from an associate or joint venture which, in substance, form part of the net investment in the associated company or joint venture.

The amendments, ratified by the European Commission, have date of first application from 1 January 2019.

Accounting principles, amendments and interpretations that are not yet applicable, have not been adopted in advance by the Company and are not yet approved for adoption in the European Union as of 07 March 2019
The International Accounting Standards, interpretations and amendments to existing IASB-approved accounting standards and interpretations that had not been ratified for adoption in the European Union as of 07 March 2019 are as follows:

IFRS 17 - Insurance Contracts

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

IFRS 17 applies to all types of insurance contracts (for example: life, non-life, direct insurance, re-insurance) regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with characteristics of discretionary participation.

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

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

• a specific adaptation for contracts with direct participation characteristics (the VTA/variable fee approach);

• a simplified approach (the approach to the allocation of premiums) mainly for short-term contracts.

IFRS 17 will enter in force for years starting on 1 January 2021, and will require the presentation of the comparative balances. Early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or previously.

Improvements to IFRS – 2015-2017 cycle

On 12 December 2017, the IASB issued a set of amendments to IFRS (Annual Improvements to IFRS – 2015-2017 cycle) related to the standards:

- IFRS 3 - Business Combinations;
- IFRS 11 - Joint Arrangements;
- IAS 12 - Income Taxes;
- IAS 23 - Borrowing Costs.

The amendments, pending ratification by the European Commission, have date of first application from 1 January 2019.

Amendments to IAS 19

On 7 February 2018, the IASB published the amendments to IAS 19 - Plan Amendment, Curtailment or Settlement, with which it clarifies how pension expenses are determined when there is a change in the defined benefit plan.

The amendments, pending ratification by the European Commission, have date of first application from 1 January 2019.

Amendments related to the Conceptual Framework for Financial Reporting

On 29 March 2018, the IASB published the amendments to the conceptual framework underlying the IFRS in order to improve financial reporting, providing a more complete, clear and updated set of conceptual elements that include revised definitions of an asset and a liability, as well as new indications on measurement, derecognition, presentation and disclosure. The IASB focused on topics that were not yet covered or that showed obvious shortcomings that needed to be addressed.

The amendments, pending ratification by the European Commission, have date of first application from 1 January 2020.

Amendments to IFRS 3

On 22 October 2018, the IASB published the amendments to IFRS 3 - Business Combinations Definition of an enterprise aimed at resolving the difficulties that arise when an entity must determine whether it has acquired a business or a group of assets. The amendments indicate that, to be considered an enterprise, a set of activities or an activity must include at least an input and a substantial process that together contribute significantly to the ability to create output. Guidelines and illustrative examples are included.

The amendments, pending ratification by the European Commission, have date of first application from 1 January 2020.

Amendments to IAS 1 and IAS 8

On 31 October 2018, the IASB published the Definition of Material amendment, which aims to clarify the definition of material in order to help companies assess whether information is to be included in the financial statements.

The amendments, pending ratification by the European Commission, have date of first application from 1 January 2020. However, early application is permitted.

The Company will adopt these new standards, amendments and interpretations on the basis of the stipulated date of application, and will assess their potential impact when they have been ratified by the European Union.

B. Key accounting principles and valuation criteria

The accounting principles and valuation criteria adopted for the 2018 Annual Financial Statements of DeA Capital are the same as those used in drawing up the Consolidated Financial Statements, with the exception of specific principles and criteria relating to the Consolidated Financial Statements and methods for valuing subsidiaries and joint ventures, as specified below.

Current and non-current assets and liabilities

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

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

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

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

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

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

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

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

Intangible assets

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

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

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

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

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

Intangible assets with a finite useful life are amortised on a straight-line basis over their expected useful life. The useful life of these intangible assets is tested to check that their value is still appropriate whenever there are indications of possible impairment.

Impairment - IAS 36

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

IAS 36 provides instructions on determining fair value less the costs of selling an asset, as follows:
- if there is a binding sales agreement, the asset's fair value is the negotiated price;
- if there is no agreement, but the asset is marketed in an active market, the fair value is the current bid price (thus, the exact price on the valuation date and not the average price);
- if no prices can be found in active markets, fair value must be determined based on valuation methods that incorporate the best information available including any recent transactions involving the same asset, after verifying that there were no significant changes in the economic environment between the date of the transactions under consideration and the valuation date.

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

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

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

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

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

Tangible assets

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

Financial assets

Based on the classification of financial assets under IFRS 9, which as of 1 January 2018 has entirely replaced IAS 39, the Company has determined the classification of its financial assets at 1 January 2018 and subsequently at the time of acquisition of individual financial assets.

The loans and receivables category includes non-derivative financial instruments that are not listed on an active market, which have fixed or determinable expected payments. These are included in the current portion except for those due after one year from the balance sheet date, which are classified under the non-current portion. These assets are measured at fair value on initial recognition, including ancillary costs. Subsequently they are valued at amortised cost by applying the effective interest rate method.

IFRS 9 introduced the obligation to measure impairment on trade and financial receivables in terms of Expected Loss.
The Company has adopted the simplified model envisaged by IFRS 9. For further details, refer to the section A*ccounting standards, amendments and interpretations applied from 1 January 2018 - IFRS 9 - Financial instruments.*
Impairment losses are recorded in the income statement. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted from the application of amortised cost had the asset not been written down.

Minority interests in companies and investments in funds that constitute the main, predominant area of operations of DeA Capital, are classified in the following categories of financial assets measured at fair value with balancing entry in the income statement.
- Equity investments held by Funds - measured at Fair Value through P&L;
- Equity investments in other companies - measured at Fair Value through P&L;
- Funds measured at Fair Value through P&L (Venture Capital, Funds of funds, theme funds and real estate funds) as the type of investment does not meet the conditions required to pass the SPPI Test.

IFRS 13.9 provides a definition of fair value: it represents "the price that should be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

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

Assets and liabilities measured at fair value may be:
- stand-alone assets or liabilities (financial or non-financial instruments);
- a group of assets, a group of liabilities or a group of assets and liabilities.

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

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

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

Trade receivables

Trade receivables that do not have a significant financing component, are recorded at the time of initial recognition at the transaction price, or the amount to which the entity believes it is entitled in exchange for the transfer of the promised goods or services to the customer.

Receivables that have a fixed maturity are subsequently measured at amortised cost, using the effective interest method, while receivables without fixed maturity are measured at cost.

Receivables are shown in the financial statements net of provisions for impairment.

IFRS 9 introduced the obligation to measure impairment on trade and financial receivables in terms of Expected Loss. The Company has adopted the simplified model envisaged by IFRS 9. For further details, refer to the section *Accounting standards, amendments and interpretations applied from 1 January 2018 - IFRS 9 - Financial instruments.*
Impairment losses are recognised in the income statement and the adjustment is allocated to a bad debt provision to be deducted directly from the asset item. If in subsequent periods the reasons for the write-down no longer exist, the write-down is reversed up to the amount that would have resulted had the asset not been written down.

Cash and cash equivalents

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

Held-for-sale assets

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

Treasury shares

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

Financial liabilities

Financial liabilities comprise loans, trade payables and other payment obligations. These are valued at fair value on initial recognition and subsequently at amortised cost, applying the effective interest rate method. The IASB and the IFRIC have confirmed that, under IFRS 9, when there is a renegotiation of a financial liability, the provisions of paragraph B5.4.6 must be applied, recognising in the Income Statement the differences between the settled liability and the new liability (in terms of expected cash flow). Therefore, with the new standard, the possibility of treating the amortised cost of the liability subject to renegotiation in continuity, without recognition of effects in the income statement, is therefore abandoned.

Provisions for risks and future liabilities

If necessary, the Company records provisions for risks and future liabilities when:
- it has a legal or implicit obligation to third parties resulting from a past event;
- it is likely that it will be necessary to use Company resources to fulfil the obligation;
- a reliable estimate can be made of the amount of the obligation.

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

Revenues and income

Revenues for services are recognised at the time the service is provided, based on the dictates of IFRS 15 - Revenue from contracts with customers. Revenues are recorded net of returns, discounts, allowances and premiums, and of directly related taxes.

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

Interest is reported using the effective interest rate method.

Employee benefits

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

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

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

Specifically:

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

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

Share-based payments

In the Company, benefits are provided in the form of stock options or share-based payments. This applies to all employees eligible for stock option plans and performance shares.
The cost of these transactions is determined with reference to the fair value of the options on the allocation date and is reported over the period from that date until the expiry date with a balancing entry in shareholders' equity.

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

The cost of stock options for the Company's directors and employees is determined in the same way.

Income tax

Current income taxes are determined and reported on the basis of a reasonable forecast of tax liability by applying the tax rates in force to taxable income, taking into account any exemptions and tax credits to which a company may be entitled.

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

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

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

The carrying values of deferred tax assets are analysed periodically and reduced to the extent that sufficient taxable income will not be generated against which the benefits resulting from such deferred assets can be used.

Earnings per share

In accordance with IAS 33, basic earnings per share is determined as the ratio of net profit for the period attributable to holders of parent company shares to the weighted average number of shares outstanding during the period. Treasury shares in the portfolio are, of course, not included in this calculation.
Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding for all potential ordinary shares resulting from the potential exercise of allocated stock options, which may therefore result in a diluting effect.

C. Changes in accounting principles and the treatment of errors

Accounting principles are changed from one year to another only if the change is dictated by an accounting standard or if it contributes to providing more reliable information or more complete reporting of the impact of transactions on the company's balance sheet, income statement and cash flow.

Changes in accounting principles are applied retrospectively with the impact reflected in shareholders' equity in the first of the periods presented. Comparative reporting is adapted accordingly. The prospective approach is used only when it is not practical to restate the comparative information. The application of a new or amended accounting standard is recorded as required by the standard itself. If the standard does not specify transition methods, the change is reflected retrospectively, or if impractical, prospectively.

If there are significant errors, the same treatment dictated for changes in accounting principles is used. If there are minor errors, corrections are posted to the income statement in the period when the error is discovered.

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

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

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

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

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

On the understanding that the use of reasonable estimates is an essential part of preparing financial statements, the items where the use of estimates is most prevalent are:
• valuation of financial assets not listed in active markets;
• valuation of financial assets listed in active markets but considered illiquid on the reference market;
• valuation of equity investments.

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

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

As highlighted earlier, a significant proportion of the assets shown in the annual financial statements of DeA Capital S.p.A. is represented by unlisted financial investments. These investments are valued at their fair value, calculated by directors based on their best estimate and judgement using the knowledge and evidence available at the time the financial statements are prepared. However, due to objective difficulties in making assessments and the lack of a liquid market, the values assigned to such assets could differ, perhaps and in some cases significantly, from those that could be obtained when the assets are sold.

Information on the fair value hierarchy

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

- **level 1**: if the fair value of the financial instrument is measured on the basis of prices listed on active markets for assets or liabilities identical to those being valued;

- **level 2**: if the fair value of the financial instrument is measured on the basis of observable inputs, different from those included in level 1, for example the following:
  - prices quoted on active markets for similar assets and liabilities;
  - quoted prices on inactive markets for identical assets and liabilities;
  - interest rate curves, implicit volatility, credit spreads;

- **level 3**: if the fair value of the financial instrument is determined based on unobservable data. Said input data may be used if no observable input data are available. IFRS 13 specifies that unobservable input data used to measure fair value must reflect the assumptions used by market participants when fixing the price for the assets or liabilities being valued.

The table below shows assets valued at fair value by hierarchical level at 31 December 2018:

(EUR m)	Level 1	Level 2	Level 3	Total
Investments in Subsidiaries	0	15.2	197.8	213.0
Investments in Associates	0	11.2	0.0	11.2
Other Investments at Fair Value through P&L	26.9	23.8	0.2	50.9
Funds at Fair Value through P&L	0	98.7	0.0	98.7
Total	**26.9**	**148.9**	**198.0**	**373.8**

For **level 3**, a reconciliation of the opening and closing balances is shown in the table below. Income and expenses posted to the Income Statement or shareholders' equity, and purchases and sales made during 2018, are identified separately.

(EUR thousand)	Balance at 1.1.2018	Increases	Decreases	Fair value adjustment	Balance at 31.12.2018
Subsidiaries					
DeA Capital Partecipazioni S.p.A.	105,669	40,500	0	0	146,169
DeA Capital Real Estate SGR S.p.A.	4,372	82	0	0	4,454
DeA Capital Alternative Funds SGR S.p.A.	39,700	0	0	7,400	47,100
Other Investments at Fair Value through P&L					
Participatory Financial Instruments	0	101	0	(73)	28
Harvip Investimmenti S.p.A.	184	0	0	0	184
Total	**149.925**	**40.683**	**0**	**7.327**	**197.935**

Valuation techniques and main unobservable input data

Subsidiaries

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

Equity investments are valued using calculation methodologies based on specific assumptions concerning:

- the growth of future cash flows contingent upon future events that can be assigned probabilities based on historical experience;
- the level of specific input parameters that are not listed on active markets; in all cases, the prices and spreads observed in the market are preferred for estimating these.

DeA Capital Real Estate SGR S.p.A.

The economic value of the subsidiary DeA Capital Real Estate SGR S.p.A. was estimated by determining the value in use, calculated as the sum of the present value of dividend flows (DDM, or dividend discount model) expected from DeA Capital Real Estate SGR S.p.A., both for the specific period covered by the forecasts (2019-2021) and for future periods (using a projected terminal value based on normalised cash flows).

A number of assumptions were made in determining these flows, including estimates of future increases in revenues, based on expected trends in managed assets, EBITDA and net income or, in the case of carried interest, on the basis of return projections made by the company for the various funds under management.

The valuation was based on a cost of capital between 11.34% and 12.34%, plus a terminal value based on growth (g) assumptions between 1.4% and 2.0%.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Real Estate SGR S.p.A., i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -3.2/+3.5 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -1.2/+1.3 million (for changes of -0.3% and +0.3% in the rate of growth (g)).

DeA Capital Partecipazioni S.p.A.

The economic value of the subsidiary DeA Capital Partecipazioni S.p.A. was estimated on the basis of a sum of the parts valuation, which mainly includes the determination of the value of the investments in DeA Capital Real Estate SGR S.p.A. (as in the previous point) and YARD S.p.A.

DeA Capital Alternative Funds SGR S.p.A.

The economic value of the subsidiary DeA Capital Alternative Funds SGR S.p.A. was estimated with the help of a specific report by an independent expert. The report was based on the sum of the parts model and calculated the value, defined as the sum of (i) the current value of dividend flows (DDM method) expected from DeA Capital Alternative Funds SGR S.p.A. and (ii) the current value of the carried interest flows expected from the same company (DCF method), both for the forecasting period in question (2019-2023) and future periods (using a projected terminal value based on normalised cash flows).

A number of assumptions were made in determining these flows, including estimates of future increases in revenues, based on expected trends in managed assets, EBITDA and net income or, in the case of carried interest, on the basis of IRR projections made by the company for the various funds under management.

The valuation was based on a cost of capital of between +10.0% and +12.0%, depending on the nature of these flows (dividends from the asset management company or carried interest from the managed funds), supplemented by a terminal value based on a growth assumption between 1.4% and 2.0%.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Alternative Funds SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -2.5/+2.8 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -0.8/+0.9 million (for changes of -0.3% and +0.3% in the rate of growth (g)).

Kenan Investments/Migros

The shareholding in Kenan Investments (indirect parent company of Migros) is recorded in the Consolidated Financial Statements at 31 December 2018 at EUR 19.4 million (compared with EUR 45.6 million at 31 December 2017).

The change compared with 31 December 2017 is attributable to:

- an decrease in fair value due to the combined effect of the decrease in the price per share (TRY 14.90 per share at 31 December 2018, versus TRY 27.56 per share at 31 December 2017) and the devaluation of the Turkish lira against the Euro (6.06 EUR/TRY at 31 December 2018, versus 4.55 EUR/TRY at 31 December 2017).
- income (EUR 1 million) earned on 14 December 2018 following the distribution of part of the escrow account in place with Anadolu (acquiring party of 50% of Migros from Kenan Investments).

Venture capital funds, funds of funds, co-investment fund and theme funds

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

With regard to funds, at 31 December 2018, DeA Capital S.p.A. held investment units in:

- IDeA I FoF (valued at EUR 33.1 million);
- ICF II (valued at EUR 31.3 million);
- ICF III (valued at EUR 10.4 million);
- IDeA OF I (valued at EUR 15.2 million);
- IDeA EESS (valued at EUR 9.3 million);
- IDeA ToI (valued at EUR 11.9 million);
- IDeA CCR I (valued at EUR 0.9 million);
- IDeA CCR II (valued at EUR 1.6 million);
- IDeA Agro (valued at EUR 0.02 million);
- Venere (valued at EUR 1.9 million);
- Santa Palomba (valued at EUR 0.4 million);
- six venture capital funds (with a total value of approximately EUR 9 million).

For venture capital funds, the fair value of each fund is based on the NAV declared by the fund, calculated on the basis of international valuation standards, adjusted if necessary to reflect capital repayments / calls between the date of reference of the last available NAV and the reporting date.

For the other funds, the fair value of each fund is represented by the NAV advised by the management company in the fund management report for the year ending 31 December 2018, drafted in accordance with the Bank of Italy's regulation of 19 January 2015 and subsequent amendments on collective asset management.

NON-CURRENT ASSETS

1 - Intangible and tangible assets

1a - Intangible assets

Changes in intangible assets are shown in the tables below:

(EUR thousand)	Historical cost at 1.1.2018	Cum. amort. & write-downs at 1.1.2018	Net carrying value at 1.1.2018	Historical cost at 31.12.2018	Cum. amort. & write-downs at 31.12.2018	Net carrying value at 31.12.2018
Concessions, licences and trademarks	350	(348)	2	350	(350)	0
Total	**350**	**(348)**	**2**	**350**	**(350)**	**0**

(EUR thousand)	Balance at 1.1.2018	Acquisitions	Disposals	Disposals (provision)	Amort.	Balance at 31.12.2018
Concessions, licences and trademarks	2	0	0	0	(2)	0
Total	**2**	**0**	**0**	**0**	**(2)**	**0**

1b - Tangible assets

Changes in intangible assets are shown in the tables below:

(EUR thousand)	Historical cost at 1.1.2018	Cum. depr. & write-downs at 1.1.2018	Net carrying value at 1.1.2018	Historical cost at 31.12.2018	Cum. depr. & write-downs at 31.12.2018	Net carrying value at 31.12.2018
Plant	7	(6)	1	7	(6)	1
Furniture and fixtures	422	(408)	14	422	(415)	7
Computer and office equipment	77	(70)	7	85	(78)	7
Leasehold improvements	663	(511)	152	663	(610)	53
Non-depreciable tangible assets	37	0	37	37	0	37
Total	**1,206**	**(995)**	**211**	**1,214**	**(1,109)**	**105**

(EUR thousand)	Balance at 1.1.2018	Acquisitions	Disposals (at cost)	Disposals (provision)	Depr.	Balance at 31.12.2018
Plant	1	0	0	0	0	1
Furniture and fixtures	14	0	0	0	(7)	7
Computer and office equipment	7	8	0	0	(8)	7
Leasehold improvements	152	0	0	0	(99)	53
Non-depreciable tangible assets	37	0	0	0	0	37
Total	**211**	**8**	**0**	**0**	**(114)**	**105**

Depreciation is calculated on a straight-line basis, according to the estimated useful life of the asset.

The depreciation rates used in the financial statements are:
- specific equipment 20%;
- furniture and furnishings 12%;
- computer and office equipment 20%;
- leasehold improvements 15%.

2 - Financial investments

2a - Investments in subsidiaries

Investments in subsidiaries are measured at fair value in accordance with IAS 27 and IFRS 13.

Details of the existing investments at 31 December 2018 are shown in the table below.

(EUR thousand)	% shareholding at 31.12.18	Value at 31.12.18	% shareholding at 31.12.17	Value at 31.12.2017
DeA Capital Partecipazioni S.p.A.	100.00%	146,169	100.00%	105,669
IDeA Opportunity Fund I	46.99%	15,184	46.99%	25,446
DeA Capital Real Estate SGR S.p.A.	3.06%	4,455	3.00%	4,373
DeA Capital Alternative Funds SGR S.p.A.	100.00%	47,100	100.00%	39,700
Total		**212,908**		**175,188**

The changes in the item in question at 31 December 2018 compared with end-2017 are detailed below, separately by asset.

DeA Capital Partecipazioni S.p.A.

The investment in the Consolidated Financial Statements at 31 December 2018 is approximately EUR 146,149 thousand. The change in carrying value compared with 31 December 2017 was due to the payment made by the Parent Company of EUR +40,500 thousand.

It is recalled that the economic value of the subsidiary DeA Capital Partecipazioni S.p.A. was estimated on the basis of a sum of the parts valuation, which mainly includes the determination of the value of the investments in DeA Capital Real Estate SGR S.p.A. (as in the following point) and YARD S.p.A.

IDeA Opportunity Fund I (IDeA OF I)

The units in IDeA OF I are valued at around EUR 15,184 thousand in the Financial Statements to 31 December 2018. The change in the carrying value compared with 31 December 2017 was due to contributions made for capital calls totalling EUR +591 thousand, capital reimbursements of EUR -37,591 thousand and an increase in fair value of around EUR +26,738 thousand.

The fair value of each fund is represented by the NAV advised by the management company in the fund management report for the year ending 31 December 2018, drafted in accordance with the Bank of Italy's regulation of 19 January 2015 and subsequent amendments on collective asset management.

DeA Capital Real Estate SGR S.p.A.

The investment in the Consolidated Financial Statements at 31 December 2018 is approximately EUR 4,455 thousand. The change in the book value compared with 31 December 2017, equal to EUR 82 thousand, is attributable to the acquisition from physical shareholders of 0.06% of DeA Capital Real Estate SGR S.p.A.

It is recalled that the economic value of the subsidiary DeA Capital Real Estate SGR S.p.A. was estimated by determining the value in use, calculated as the sum of the present value of dividend flows (DDM, or dividend discount model) expected from DeA Capital Real Estate SGR S.p.A., both for the specific period covered by the forecasts (2019-2021) and for future periods (using a projected terminal value based on normalised cash flows).

A number of assumptions were made in determining these flows, including estimates of future increases in revenues, based on expected trends in managed assets, EBITDA and net income or, in the case of carried interest, on the basis of return projections made by the company for the various funds under management.

The valuation was based on a cost of capital between +11.34% and +12.34%, plus a terminal value based on growth (g) assumptions between 1.4% and 2.0%.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Real Estate SGR S.p.A., i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -3.2/+3.5 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -1.2/+1.3 million (for changes of -0.3% and +0.3% in the rate of growth (g)).

DeA Capital Alternative Funds SGR S.p.A.

The investment in the Consolidated Financial Statements at 31 December 2018 is approximately EUR 47,100 thousand.

The calculation of the fair value of DeA Capital Alternative Funds SGR S.p.A. was carried out using the sum of the parts model by determining the value in use, calculated as the sum of (i) the present value of dividend flows (DDM method) expected from DeA Capital Alternative Funds SGR S.p.A. and (ii) the present value of the carried interest flows expected from funds managed by the same company (DCF method), both for the specific period covered by the forecasts (2019-2023) and for those in future (using a projected terminal value based on normalised cash flows).

A number of assumptions were made in determining these flows, including estimates of future increases in revenues, based on expected trends in managed assets, EBITDA and net income or, in the case of carried interest, on the basis of IRR projections made by the company for the various funds under management.

The valuation was based on a cost of capital of between +10.0% and +12.0%, depending on the nature of these flows (dividends from the asset management company or carried interest from the managed funds), supplemented by a terminal value based on a growth assumption between 1.4% and 2.0%.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Alternative Funds SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -2.5/+2.8 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -0.8/+0.9 million (for changes of -0.3% and +0.3% in the rate of growth (g)).

The analysis carried out has resulted in a positive change in the fair value of the Subsidiary for EUR +7,400 thousand.

A list of the equity investments with the information required under Article 2427 of the Italian Civil Code is shown in the table below.

List of Equity Investments in Subsidiaries at 31.12.2018

Company	Registered office	Currency	Share capital	Consolidated shareholders' equity	Consolidated net profit/ (loss) for the year	% holding	Share of shareholders' equity (EUR)	Carrying value (EUR)
DeA Capital Partecipazioni S.p.A.	Milan, Italy	EUR	600.000	96.594.409	264.275	100,00%	96.594.409	146.168.754
IDeA Opportunity Fund I	Milan, Italy	EUR	78.749.439	32.316.433	56.906.042	46,99%	15.184.470	15.184.470
DeA Capital Real Estate SGR S.p.A.	Rome, Italy	EUR	16.757.557	141.872.840	3.634.967	3,06%	4.341.309	4.454.486
DeA Capital Alternative Funds SGR S.p.A.	Milan, Italy	EUR	1.200.000	11.983.512	6.126.829	100,00%	11.983.512	47.100.000
Total					**66.932.113**		**128.103.700**	**212.907.710**

2b - Investments in associated companies and funds

At 31 December 2018, this item totalled EUR 11,188 thousand, as shown in the following table.

(EUR thousand)	Balance at 1.1.2018	Capital increases	Capital decreases	Fair value adjustment	Balance at 31.12.2018
Venere	2,470	0	(546)	(40)	1,884
IDeA EESS	16,483	380	(6,751)	(808)	9,304
Total	**18,953**	**380**	**(7,297)**	**(848)**	**11,188**

The changes in the item under review at 31 December 2018 compared with end-2017 relate to:

- a decrease of EUR -6,371 thousand in the units of IDeA EESS due to capital calls paid during the year for EUR +380 thousand and capital repayments collected for EUR -6,751 thousand;
- a decrease of EUR -546 thousand in the units of Venere due to the capital repayments collected during the year;
- the fair value measurement of associated companies resulting in a change of EUR -808 thousand for IDeA EESS and EUR -40 thousand for Venere.

2d - Equity investments in other companies measured at fair value through P&L

The item, amounting to EUR 50,912 thousand at 31 December 2018, includes the investments in Crescita S.p.A., in IDeaMI S.p.A., in category A equity financial instruments, in Kenan Investments S.A. and in Harvip Investimenti S.p.A., as shown in the following table:

(EUR thousand)	Balance at 1.1.2018	Increases (capital call/ purchase)	Decreases (capital distribution)	Fair value adjustment	Balance at 31.12.2018
Cellularline S.p.A.	8,160	799	0	(1,445)	7,514
IDeaMI S.p.A.	24,979	0	0	(1,159)	23,820
Participatory Financial Instruments	0	101	0	(73)	28
Kenan Investments S.A.	45,575	0	(1,042)	(25,167)	19,366
Harvip Investimenti S.p.A.	184	0	0	0	184
Total	**78,898**	**900**	**(1,042)**	**(27,844)**	**50,912**

The changes in the item under review as at 31 December 2018 compared with end-2017 relate to:

- increase of EUR +799 thousand for the purchase of shares of Cellularline S.p.A., a company formed by the business combination of Crescita S.p.A. (SPAC held 5.8% by DeA Capital S.p.A.) and the companies of the Cellular Group. The shares held at the end of the year by the Parent Company represent 4.25% of the entire share capital of the combined entity;
- the distribution by Kenan Investments S.A. resulted in a decrease of EUR -1,042 thousand;
- increase of EUR 101 thousand for the acquisition from physical shareholders of 0.11% of category A equity financial instruments issued by DeA Capital Real Estate SGR;
- the fair value measurement of Investments in Other Companies, which resulted in a change of EUR 1,445 thousand for Cellularline S.p.A., EUR 1,159 thousand for IDeaMI S.p.A., EUR -73 thousand in equity financial instruments and EUR -25,167 thousand for Kenan Investments S.A.

Note that the Company is also a shareholder in other smaller companies with a carrying value of zero, as said companies are in liquidation or dormant.

2f - Funds measured at fair value through P&L

This item relates to investments in six venture capital funds totalling EUR 8,970 thousand, compared with EUR 8,599 thousand at the end of 2017, and 8 closed-end mutual investment funds in an amount of EUR 89,699 thousand compared with EUR 118,016 thousand at end-2017, as shown in the table below.

(EUR thousand)	**Balance at 1.1.2018**	**Increases (capital call)**	**Decreases (capital distribution)**	**Fair value adjustment**	**Translation effect**	**Balance at 31.12.2018**
Total venture capital funds	8,599	0	(2,495)	2,757	109	8,970
IDeA I FoF	49,462	508	(19,776)	2,935	0	33,129
ICF II	37,946	337	(11,640)	4,662	0	31,305
ICF III Core	652	123	0	119	0	894
ICF III Credit & Distressed	2,895	80	0	278	0	3,253
ICF III Emerging Markets	4,395	1,139	0	712	0	6,246
IDeA ToI	20,658	3,823	(12,036)	(567)	0	11,878
IDeA CCR I CD	65	0	(20)	(0)	0	45
IDeA CCR I NF	1,517	83	(686)	(33)	0	880
IDeA CCR II CD	0	75	0	(5)	0	70
IDeA CCR II NF	0	1,658	0	(117)	0	1,541
IDeA Agro	0	34	0	(18)	0	16
Santa Palomba	425	0	0	16	0	441
Total funds	**126,614**	**7,860**	**(46,653)**	**10,739**	**109**	**98,669**

During 2018, the Company received capital reimbursements of EUR 46,653 thousand.

It is also recalled that in July 2018, DeA Capital Alternative Funds SGR completed the launch of the IDeA Agro Fund, a fund dedicated to investments in companies operating in the agricultural sector, in which DeA Capital S.p.A. subscribed a commitment of EUR 2.1 million.

Venture capital funds

The units of Venture Capital funds amount to approximately EUR 8,970 thousand. The change in the carrying value compared with 31 December 2017 was due to distributions received for EUR -2,495 thousand and an increase in fair value of around EUR +2,866 thousand.

Closed-end mutual investment funds

The units of closed-end funds amount to approximately EUR 89,699 thousand. The change in the carrying value compared with 31 December 2017 was due to contributions made for capital calls totalling EUR 7,860 thousand, capital reimbursements of EUR -44,158 thousand and an increase in fair value of around EUR +7,982 thousand.

4 – Current assets

As at 31 December 2018, current assets were approximately EUR 105,129 thousand compared with EUR 93,134 thousand at 31 December 2017.

4a – Trade receivables

This item totalled EUR 310 thousand (EUR 758 thousand at 31 December 2017) and relates to:

- EUR 147 thousand from DeA Capital Alternative Funds SGR, EUR 73 thousand from DeA Capital Real Estate SGR, EUR 1 thousand from Lottomatica for the pro-quota charge-back for improvements to leased assets incurred for the building at Via Brera 21;
- EUR 89 thousand from De Agostini S.p.A. for the agreement to sublet rented premises and the reimbursement of costs associated with said agreement, and the pro rata reimbursement for improvements to leased assets incurred for the building at Via Brera, 21.

These receivables break down by region as follows:

- 70.82% from Italian subsidiaries;
- 28.75% from Italian parent companies;
- 0.43% from Italian affiliates.

4c - Tax receivables relating to the tax consolidation scheme due from parent companies

The item, amounting to EUR 900 thousand as at 31 December 2017, referred to the receivable from the Parent Company De Agostini S.p.A. (previously B&D Holding di Marco Drago e C. S.a.p.A.) for participation in the tax consolidation scheme, which was collected at 31 December 2018.

4d - Other receivables from the tax authorities

This item, totalling EUR 3,591 thousand (EUR 720 thousand at 31 December 2017), relates to:

- tax deductions in the form of advance payments on interest of EUR 3 thousand;
- withholdings as substitute of tax by DeA Capital Alternative Funds SGR on the distribution of income by IDeA I FoF for EUR 3,092 thousand;
- advance payments made in relation to foreign direct and indirect taxes in Luxembourg for EUR 13 thousand;
- a receivable of EUR 389 thousand arising from the settlement of VAT relating to 2018;
- a receivable arising from an application for an IRES refund due to the non-deduction of IRAP relating to personnel costs for 2010-2011, for EUR 94 thousand;

4e - Other receivables

These receivables, totalling EUR 495 thousand (EUR 513 thousand at 31 December 2017), relate mainly to prepaid expenses and receivables for guarantee deposits.

These receivables fall due within the next year.

4f - Cash and cash equivalents

Cash and cash equivalents consist of bank deposits and cash (EUR 2 thousand), including interest accrued at 31 December 2018. This item totalled EUR 100,733 thousand at end-2018 compared with EUR 90,245 thousand at end-2017.

This increase is primarily due to the combined effect of the following factors:

- collection of dividends for EUR +4,998 thousand from DeA Capital Partecipazioni, EUR +223 thousand from DeA Capital Real Estate SGR and EUR +2,500 thousand from DeA Capital Alternative Funds SGR;
- payment of dividends of EUR -30,448 thousand;
- receipt of EUR +79,616 thousand for pay-outs from available-for-sale funds excluding capital calls paid;
- collection of EUR +1,042 thousand for distribution received from Kenan Investments S.A.;
- disbursement of EUR -40,500 thousand to increase the extraordinary reserve in the subsidiary DeA Capital Partecipazioni and EUR -798 thousand for the subscription of Cellularline shares;
- collection of EUR +970 thousand for the remuneration of losses transferred to the Parent Company De Agostini S.p.A. (formerly B&D Holding di Marco Drago e C. S.a.p.A.) for participation in the tax consolidation scheme;
- reimbursement of EUR +433 thousand arising from the ruling by the Milan provincial tax commission on the inspections for the tax periods 2009-2010, recorded for IDeA Alternative Investments S.p.A. (a company that was merged by incorporation into DeA Capital S.p.A. with effect from 1 January 2012), against which the Company had filed an appeal;

- revenues for services of EUR +633 thousand;
- service expenses, net of reimbursements to parent companies and associates, of EUR -4,805 thousand;
- outlay of EUR -3,186 thousand for treasury share purchase plan, net of stock options exercised by the company's management.

Please see the Company's Cash Flow Statement for further information on changes to this item.

6 - Shareholders' equity

At 31 December 2018, shareholders' equity totalled approximately EUR 475,074 thousand, compared with EUR 490,574 thousand at 31 December 2017.

The decrease of around EUR -15,500 thousand in shareholders' equity in 2018 was mainly due to:
- the purchase of treasury shares in the amount of EUR -3,186 thousand;
- the distribution of a dividend of EUR -30,450 thousand;
- the profit of EUR +17,304 thousand for the period.

Please see the Statement of Changes in Shareholders' Equity for more information on the main changes in this item.

6a - Share capital

The share capital (fully subscribed and paid up) totalled EUR 306,612,100, represented by 306,612,100 shares (of which 52,858,542 treasury shares) with a nominal value of EUR 1 each, unchanged compared with 31 December 2017.

6b - Share premium reserve

The item in question has undergone a change of EUR -30,450 thousand, from EUR 271,309 thousand at 31 December 2017 (reclassified in order to make it homogeneous with the figure at 31 December 2018, as described in more detail in the section Structure and Content of the Consolidated Financial Statements) to EUR 240,859 thousand as at 31 December 2018, following the use for distribution of dividends.

6c – Legal reserve

This reserve totalled EUR 61,322 thousand, which was unchanged from the figure at 31 December 2017.

6d - Treasury shares reserve

The reserve is negative for EUR -82,766 thousand from EUR -80,026 thousand at 31 December 2017 (reclassified in order to make it homogeneous with the figure at 31 December 2018 - for further details, refer to the description in the section Structure and Content of the Consolidated Financial Statements), and changed by EUR -3,186 thousand for the purchase of treasury shares and EUR +446 thousand for the exercise of stock options and performance shares of the Company's management.

The table below shows a summary of the changes in this item during the year.

	No. of shares	amount (Euro)
Shares at 31 December 2017	**50,942,428**	**(80,026,181)**
Changes in 2018		
Own shares purchased	2,208,051	(3,186,262)
Shares issued for stock options and performance shares	(291,937)	446,547
Shares at 31 December 2018	**52,858,542**	**(82,765,896)**

6e – Other reserves

Other reserves, totalling EUR -5,737 thousand, comprise:
- a reserve for stock option costs totalling EUR +2,219 thousand;
- a reserve for the merger of the subsidiary IDeA Alternative Investments totalling EUR -831 thousand (unchanged compared with 31 December 2017);
- a reserve for actuarial gains/losses on the end-of-service payment fund of EUR -26 thousand;

- the reserve for the sale of warrant option/subscription rights, unchanged compared with 31 December 2017, equal to EUR +729 thousand, originated from the sale of the remaining options on the share capital increase unopted by the shareholders and sold by the Company for EUR +413 thousand and from the subscription of warrants by the Company's management in 2009 for EUR +316 thousand;
- the share issuance cost reserve, unchanged compared with 31 December 2017, equal to EUR -7,828 thousand, originating from the costs incurred for the increase in share capital in 2007.

6f - Profits (Losses) of previous years carried forward

As at 31 December 2018, the item amounted to EUR -62,520 thousand, compared with EUR -87,042 thous and at 31 December 2017, or EUR -25,768 thousand, taking into account the reclassification of the fair value reserve of EUR +61,274 thousand related to the application, as of 1 January 2018, of IFRS 9.

6g - Profit/(loss) for the year

This item includes profit of EUR +17,304 thousand for the year 2018, compared with a loss of EUR -36,601 thousand for the year 2017.

Article 2427, paragraph 1, 7-bis of the Italian Civil Code: details of shareholders' equity items

The table below shows a breakdown of shareholders' equity as at 31 December 2018, with details of the origin of the items, their potential uses and whether or not they can be distributed, and their use in previous years:

(in EUR)				**Summary of use in the three previous years**	
Description	**Amount**	**Potential use**	**Amount available**	**to cover losses**	**for other reasons**
Share capital	306,612,100	=	=		
Share premium reserve	240,858,282	A,B,C	240,858,282 (#)	=	**142,165,172**
Legal reserve	61,322,420	B	=	=	=
Profits (losses) of previous and current years	(45,215,961)		=	=	**=**
- of which: Portion from asset revaluation	*76,230,041*	*B (*)*	=	=	=
- of which: Other	*(121,446,002)*	=	=	=	=
Other reserves	(5,737,177)	=	=	=	**=**
Own Shares	(82,765,896)	=	=	=	**=**
TOTAL	**475,073,768**				

Key: A = capital increase, B = to cover loss, C = distribution to shareholders
(#) Payable portition equal to Eur 79,371,313 at the completion of the cancellation of n. 40,000,000 treasury shares.
(*) This portion of the reserve can be used to cover losses only subordinate to the legal reserve.

7 – Non-current liabilities

7a – End-of-service payment fund

The end-of-service payment fund is a defined benefit plan, and has therefore been valued using actuarial assessments. The assumptions used in calculating the fund were: a discount rate of 1.57%; an annual rate of inflation of 1.50%; annual salary growth of 2.50%; and an annual fund growth rate of 2.63%.

Changes in the end-of-service payment fund are summarised as follows:

(EUR thousand)	Balance at 1.1.2018	Portion accrued	Payments	Balance at 31.12.2018
Moviment in end-of-service payment fund	**321**	**54**	**(57)**	**318**

The amounts concerned were calculated as follows:

(EUR thousand)	31.12.2018	31.12.2017
Nominal value of end-of-service payment fund	324	330
Discounting effect	(6)	(9)
Current value of end-of-service payment fund	**318**	**321**

8 - Current liabilities

Total current liabilities amounted to EUR 3,518 thousand (EUR 2,107 thousand at 31 December 2017) and are all due within the following year. These payables are not secured on any company assets.

8a - Trade payables

This item totalled EUR 1,260 thousand, compared with EUR 1,024 thousand in the previous year, and stems from ordinary operations.

The item Transactions with Related Parties includes payables to the subsidiary De Agostini Editore S.p.A. of around EUR 97 thousand.

A breakdown of these payables by region is set out below:
- 87.82% due to suppliers in Italy;
- 7.68% due to suppliers in respect of affiliates in Italy;
- 4.31% due to suppliers in Luxembourg;
- 0.16% due to suppliers in the UK;
- 0.03% due to suppliers in respect of subsidiaries in Italy;

Trade payables do not accrue interest and are settled, on average, within 30 to 60 days.

8b - Payables to staff and social security organisations

This item amounted to EUR 830 thousand (EUR 821 thousand at 31 December 2017) and breaks down as follows:
- EUR 255 thousand for payables to social security organisations, paid after the end of 2017;
- EUR 575 thousand for payables to staff for holidays not taken, and accrued bonuses.

8c - Tax payables to subsidiaries

This item amounts to EUR 1,132 thousand (not present at 31 December 2017) and relates to the payable to the Parent Company De Agostini S.p.A. (formerly B&D Holding di Marco Drago e C. S.a.p.A.) for participation in the tax consolidation scheme.

8d - Tax payables to subsidiaries

This item, which amounts to EUR 64 thousand (unchanged as at 31 December 2017), relates to the payable to subsidiary DeA Capital Alternative Funds SGR S.p.A. regarding the application for an IRES refund due to the non-deduction of IRAP in respect of personnel costs for 2010/2011.

8e - Other payables to the tax authorities

This item amounted to EUR 215 thousand (EUR 188 thousand as at 31 December 2017) and consists of payables to the tax authorities in respect of taxes deducted from the income of employees and self-employed staff.

8f - Other payables

This item amounted to EUR 17 thousand (EUR 10 thousand as at 31 December 2017) and mainly consists of a payable for dividends not yet paid.

Contingent liabilities

IAS 37 defines a contingent liability as an obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
The Company must assess the risk deriving from the contingent liability and must recognise the related risk provision only if it considers such risk to be possible or probable.

The Company considers the risk for the following contingent liabilities to be remote and therefore did not make any accounting entries; however, it has made the following disclosures.

On 17 December 2014, DeA Capital S.p.A. received an assessment notice for the 2009 tax period relating to IDeA Alternative Investments S.p.A., a company which was merged into DeA Capital S.p.A. with effect from 1 January 2012. The assessment, which alleged that revenues had been under-reported, was challenged in an appeal by DeA Capital before the Milan Provincial Tax Court.

Subsequently, on 10 November 2015, DeA Capital S.p.A. received another assessment notice relating to IDeA Alternative Investments S.p.A. for the 2010 tax period. The assessment alleged that revenues had been under-reported and that spin-off costs had been unduly deducted. This assessment was also challenged in an appeal by DeA Capital before the Milan Provincial Tax Court.

On 14 November 2016, the Milan Provincial Tax Court accepted the appeals filed regarding the alleged under-reporting of revenues for the years 2009/2010 in full and the appeal regarding the spin-off costs in part. The contingent liability – not recorded by the Company – which could derive from the fact that the latter appeal was only partially accepted is EUR 74 thousand, taking into account fines and interest).

On 14 June 2017, the Tax Authority – Provincial Division of Milan filed an appeal with the Regional Tax Court of Lombardy against the first instance ruling on the dispute in question, resubmitting all the findings initially formulated. On 23 February 2018, a hearing was held to discuss the dispute in question with the Lombardy Regional Tax Commission, which, with a sentence filed on 17 May 2018, rejected the appeal of the Office, confirmed the sentence appealed and upheld the incidental appeal regarding the costs of the demerger.

Notes to the Income Statement

9 - Revenues and income

9a - Investment income and expenses

Net income arising from investments totalled EUR 23,905 thousand in 2018 (compared with net expenses of EUR 34,446 thousand in 2017).

Details of this item are shown below.

(EUR thousand)	Financial year 2018	Financial year 2017
Dividends from subsidiaries and other income	**7,721**	**12,152**
Income from valuation of Dea Capital Allternative Funds SGR S.p.A.	7,400	0
Income from valuation of IDeA Opportunity Fund I	26,738	0
Loss from valuation of DeA Capital Real Estate SGR S.p.A	0	(736)
Loss from valuation of DeA Capital Partecipazioni S.p.A	0	(27,070)
Profit/(loss) from valuation in subsidiary companies	**34,138**	**(27,806)**
Loss from valuation of IDeA EESS	(809)	0
Loss from valuation of Venere	(40)	(186)
Profit/(loss) from valuation in related companies	**(849)**	**(186)**
Income from liquidation of Santè S.A.	0	629
Realised loss by Kenan Investments S.A.	0	(7,937)
Loss from valuation of Kenan Investments S.A.	(25,166)	(11,465)
Loss from valuation of IDeaMI S.p.A.	(1,159)	0
Loss from valuation of Cellularline S.p.A.	(1,445)	0
Loss from valuation of Participatory Financial Instruments	(73)	0
Capital gains on Venture Capital	0	227
Income from valuation of Venture Capital	2,882	0
Loss from valuation of Venture Capital	(125)	(60)
Income from valuation of IDeA FoF	2,935	0
Income from valuation of IDeA ICF II	4,662	0
Income from valuation of IDeA ICF III	1,109	0
Income from valuation of Santa Palomba	15	0
Loss from valuation of IDeA ToI	(567)	0
Loss from valuation of IDeA CCR I	(33)	0
Loss from valuation of IDeA CCR II	(122)	0
Loss from valuation of IDeA Agro	(18)	0
Profit/(loss) from valuation in other investments	**(17,105)**	**(18,606)**
Total investment income (losses)	**23,905**	**(34,446)**

It is noted that the item reflects the accounting treatment required by IFRS 9 which, from 1 January 2018, provides for the recording in the Income Statement of changes in the fair value of financial investments that in 2017 were instead recorded in the Statement of Performance directly in Equity.

Dividends from associates and other income

The item comprises dividends paid out by:
- DeA Capital Alternative Funds SGR S.p.A., in the amount of EUR 2,500 thousand;
- DeA Capital Partecipazioni S.p.A., in the amount of EUR 4,998 thousand;
- DeA Capital Real Estate SGR S.p.A., in the amount of EUR 223 thousand.

9b - Service revenues

Income of EUR 2,594 thousand was reported in 2018 (EUR 3,172 thousand in 2017), attributable to the reimbursement of costs or supply of services, in the following amounts:
- EUR 1,242 thousand from DeA Capital Real Estate SGR;
- EUR 608 thousand from DeA Capital Alternative Funds SGR;
- EUR 346 thousand from De Agostini S.p.A.;
- EUR 313 thousand for provisions of services to third parties;
- EUR 35 thousand from DeA Capital Partecipazioni;
- EUR 26 thousand from Lottomatica;
- EUR 24 thousand from SPC S.p.A.

9c - Other revenues and income

In 2018, income was recorded for EUR 86 thousand deriving from the reimbursement of sanctions, liquidated by the Revenue Agency, for the ruling by the Milan Provincial Tax Commission on the inspections for the tax periods 2009-2010, recorded for IDeA Alternative Investments S.p.A. (a company that was merged by incorporation into DeA Capital S.p.A. with effect from 1 January 2012), against which the Company had filed an appeal;

10 - Operating costs

10a - Personnel costs

Personnel costs totalled EUR 3,332 thousand, compared with EUR 3,661 thousand in 2017.

The item breaks down as follows:

(EUR thousand)	Financial year 2018	Financial year 2017
Salaries and wages	1,646	1,725
Social security charges	524	489
Net remuneration for the Board of Directors	179	52
Performance shares cost	826	1,227
End-of-service payment fund	130	145
Other personnel costs	27	23
Total	**3.332**	**3.661**

The Parent Company has 18 employees (20 at 31 December 2017).

The table below shows changes and the average number of Parent Company employees during the year.

Employees	1.1.2018	Recruits	Departures	31.12.2018	Average no.
Senior managers	5	0	0	5	5
Junior managers	6	1	1	6	6
Staff	9	0	2	7	8
Total	**20**	**1**	**3**	**18**	**19**

Share-based payments

Employees of DeA Capital S.p.A. and the Parent Company, De Agostini S.p.A. are beneficiaries of stock option and performance share plans based on the shares of DeA Capital S.p.A. Unexercised but valid call options on the Company's shares at 31 December 2018 totalled 4,012,792.

On 19 April 2018, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2018-2020, under which a maximum of 1,500,000 units may be granted. On the same date, the Board of Directors of DeA Capital S.p.A., in implementation of the shareholders' resolution, voted: (i) to launch the Performance Share Plan 2018-2020 approved by the Shareholders' Meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and (ii) to grant 1,350,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.

Shares allocated due to the vesting of units will be drawn from treasury shares already held by the company.

In addition, the plan enables DeA Capital to oblige beneficiaries to return, in full or in part, shares received pursuant to the Plan, should circumstances emerge that clearly show that incorrect data has been used to verify the achievement of the targets for the vesting of the Units (claw-back).

The Shareholders' Meeting also approved the Company's Remuneration Policy pursuant to Article 123-*ter* of the TUF.

On 08 November 2018, in view of the distribution of the extraordinary dividend of EUR 0.12 per share approved by the Shareholders' Meeting on 19 April 2018, the Board of Directors of DeA Capital S.p.A, as the competent body pursuant to the plans' regulations, approved a number of amendments to the existing Performance Share Plans in order to keep the substance and financial content unchanged. In particular, the Board voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, in the event that the vesting conditions are met, by allocating new units, to be determined on the vesting date. The new units, which will be valued at the price per share on the same date, will be allocated pro rata to the portion of units that have vested, up to the maximum number of units provided for under the above-mentioned Plans. The Board also resolved that where the lower value of the plans cannot be compensated for by the allocation of new units, a one-off bonus will be paid as compensation in cash, commensurate with the portion of units that has vested.

The terms and conditions of the above-mentioned Performance Share Plan 2018-2020 are described in the Information Prospectus prepared in accordance with Article 84-bis of Consob Resolution 11971 of 14 May 1999 (Issuer Regulations), available to the public at the registered office of DeA Capital S.p.A. and on the Company's website www.deacapital.com (in the section Corporate Governance/Incentive Plans).

10b – Service costs

The table below shows a breakdown of service costs, which came in at EUR 4,809 thousand in 2018 (EUR 4,649 thousand in 2017):

(EUR thousand)	**Financial year 2018**	**Financial year 2017**
Administrative, tax, legal consultancy and other fees	1,572	1,473
Fees to corporate bodies	198	197
Ordinary maintenance	199	160
Travel expenses	73	68
Utilities and general expenses	2,624	2,564
Bank charges	30	30
Advertising, conferences, online subscriptions, office supplies	102	146
Other charges	11	11
Total	**4.809**	**4.649**

10c - Depreciation and amortisation
Please see the table on changes in intangible and tangible assets for details on this item.

10d - Other charges
This item amounted to EUR 62 thousand (EUR 48 thousand in 2017) and consists mainly of registration tax and municipal taxes.

11 - Financial income and charges

11a - Financial income
Financial income totalled EUR 326 thousand, compared with EUR 73 thousand in 2017. This item included interest income of EUR 18 thousand and exchange rate gains of EUR 308 thousand.

Interest income mainly consists of EUR 10 thousand of interest on bank current accounts.

(EUR thousand)	Financial year 2018	Financial year 2017
Interest income	18	70
Exchange gains	308	3
Total	**326**	**73**

11b - Financial charges
Financial charges amounted to EUR 202 thousand (EUR 9 thousand in 2017).

In detail the figure is composed by:
- negative adjustment following the discounting to present value of the end-of-service provisions accrued in 2018, of EUR 3 thousand;
- exchange rate losses of EUR 199 thousand.

(EUR thousand)	Financial year 2018	Financial year 2017
Charges on financial liabilities	3	5
Exchange losses	199	4
Total	**202**	**9**

12 - Tax

12a - Income tax for the period
The item is equal to EUR 1,086 thousand and includes IRES taxes pertaining to the current year, net of EUR 50 thousand collected for integration of the tax income deriving from adhesion to the National Tax Consolidation of the De Agostini S.p.A. Group (formerly B&D Holding di Marco Drago e C. S.a.p.A.) allocated in the previous year.

At 31 December 2018, no IRAP taxes were recorded because of the negative tax base.

It is noted that, in the calculation of taxes, the tax losses carried forward from the previous year were used in full (approximately EUR 108,074 thousand usable to a full extent and approximately EUR 879 thousand to a limited extent, not generally transferable to the National Tax Consolidation). The full use of these tax losses is attributable to the combined effect (i) of the profit for the year 2018 and (ii) of the tax consequences associated with the reclassification of profits of previous years of fair value reserves outstanding at 31 December 2017 on portfolio assets (required by the application of IFRS 9).

The table below shows a reconciliation of the tax charges recorded in the Financial Statements and the theoretical tax charge calculated using the IRES rate applicable in Italy:

	2018		2017	
(EUR thousand)	**Amount**	**Rate**	**Amount**	**Rate**
Profit before tax	**18,390**		**(39,360)**	
Tax on theoretical income	4,414	24.0%	(9,446)	24.0%
Tax effect of permanent differences				
- Write-downs on equity investments	*4,906*	*26.7%*	*9,425*	*-24.0%*
- Introduction effect of IFRS 9	*19,612*	*106.6%*	*0*	*0.0%*
- Dividends	*(1,760)*	*-9.6%*	*(2,771)*	*7.0%*
- Other changes	*109*	*0.6%*	*1,847*	*-4.7%*
Use of fiscal losses	(26,149)	-142.2%	0	0.0%
Income from tax consolidation scheme	(50)	-0.3%	19	0.0%
Deferred tax assets	0	0.0%	(1,823)	4.6%
Other taxes on foreign income	4	0.0%	(11)	0.0%
Income tax reported in the income statement	**1,086**		**(2,760)**	

13 – Basic earnings (loss) per share

Basic earnings per share are calculated by dividing net profit or loss for the period attributable to the parent company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing net profit for the period attributable to shareholders by the weighted average number of ordinary shares outstanding during the period, including any dilutive effects of stock options.

The table below shows the share information used to calculate basic and diluted earnings per share:

(in EUR)	**Financial year 2018**	**Financial year 2017**
Parent Company profit/(loss)(A)	17,303,851	(36,600,543)
Weighted average number of ordinary shares outstanding (B)	253,893,495	258,259,934
Basic earnings/loss per share (EUR per share) (C=A/B)	**0.0682**	**(0.1417)**
Adjustment for dilutive effect	0	0
Net profit/(loss) adjusted for diluted effect (D)	17,303,851	(36,600,543)
Weighted average number of shares to be issued for the		
exercise of stock options (E)	68,889	119,700
Total number of shares outstanding and to be issued (F)	253,962,384	258,379,634
Diluted earnings/loss per share (EUR per share) (G=D/F)	**0.0681**	**(0.1417)**

Options have a dilutive effect only when the average market price of the share for the period exceeds the strike price of the options or warrants (i.e. when they are "in the money").

Notes to the Cash Flow Statement
Changes to the Cash Flow Statement have been reported using the direct method.

Given the type of activity carried out by the Company, cash flow from investment in companies and funds (the Company's normal activity) is included in cash flow from operating activities.

In 2018, operating activities, as defined above, generated cash and cash equivalents of EUR 44,131 thousand (EUR 58,428 thousand in 2017). Please see the Cash Flow Statement for information on changes to this item.

In 2018, financing activities absorbed EUR 33,635 thousand (EUR -36,791 thousand in 2017) mainly in relation to the payment of dividends totalling EUR 30,448 thousand.

Cash and cash equivalents totalled EUR 100,733 thousand at end-2018, compared with EUR 90,245 thousand at the end of the 2017.

Other information

Commitments
As at 31 December 2018, residual commitments for all the to portfolio funds amounted to EUR 106.7 million, compared with EUR 103.3 million in 2017.

Details of changes in commitments are shown in the table below:

(EUR m)	
Residual commitments to funds – 31.12.2017	**103.3**
New commitments/change in commitments	12.3
Capital Calls	(8.8)
Exchange differences	(0.1)
Residual commitments to funds – 31.12.2018	**106.7**

With regard to said commitments, the management believes that the funds currently available, as well as funds that will be generated by its operating and financing activities, will enable DeA Capital to meet the financing required for its investment and management of working capital activities.

Treasury shares and Parent Company shares
On 19 April 2018, the Shareholders' Meeting of DeA Capital S.p.A. authorised the Board of Directors to buy and sell, on one or more occasions and on a revolving basis, a maximum number of ordinary shares in the Company representing a stake of up to 20% of the share capital.

The new plan replaces the previous plan approved by the shareholders' meeting on 20 April 2017 (which was scheduled to expire with the approval of the 2017 Annual Financial Statements), and will pursue the same objectives as the previous plan, including purchasing treasury shares to be used for extraordinary transactions and share incentive schemes, offering shareholders a means of monetising their investment, stabilising the share price and regulating trading within the limits of current legislation.

The authorisation specifies that purchases may be made until the date of the shareholders' meeting to approve the Financial Statements for the year ending 31 December 2018, and in any case not beyond the maximum duration of 18 months allowed by law, and that DeA Capital S.p.A. may also sell the shares purchased for the purposes of trading, without time limits. The unit price for the purchase of the shares will be set on a case-by-case basis by the Board of Directors, but must not be more than 20% above or below the share's reference price on the trading day prior to each purchase.

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

On the same date, the Board of Directors voted to implement the plan to buy and sell treasury shares authorised by the shareholders' meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation, and set the maximum unit price above which purchases of treasury shares may not be made, at the NAV per share indicated in the most recent statement of financial position approved and disclosed to the market.
At the same meeting, the Company's Board of Directors also voted to adopt market practice regarding the acquisition of treasury shares by setting up a "securities warehouse", as permitted by Consob Resolution 16839 of 19 March 2009.

The Company has a contract with independent authorised intermediary Intermonte SIM S.p.A., granting it a mandate to buy and sell ordinary shares of the Company, pursuant to the Consob Practice.
For more information please see the minutes of the above-mentioned ordinary Shareholders' Meeting and explanatory Report by the Board of Directors, as well as the press release issued on 19 April 2018, which is available on the Issuer's website (www.deacapital.com), in the section Investor Relations/shareholders' meetings.

In 2018, as a part of the above plans, DeA Capital S.p.A. purchased 2,208,051 shares valued at approximately EUR 3,186,262 (at an average price of EUR 1.44 per share).
Taking into account purchases made in previous years for plans in place from time to time, and the use of treasury shares to service incentive plans, at 31 December 2018, the Company owned 52,858,542 treasury shares (equal to about 17.24% of the share capital).

At the date of this document, in light of the events that occurred after the close of 2018 - in particular, *(i)* attribution of 317,229 treasury shares following the exercise of residual options under the DeA Capital 2014-16 Stock Option Plan and *(ii)* attribution of 5,174,172 treasury shares as payment for the acquisition of the remaining 5.97% of DeA Capital Real Estate SGR - the treasury shares in the portfolio amounted to 47,367,141 (corresponding to approximately 15.4% of the share capital).

In 2018, the Company did not hold, purchase or sell, on its own account or through a trust company, any shares in the Parent Company De Agostini S.p.A.

Performance share plans

On 19 April 2018, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2018-2020, under which a maximum of 1,500,000 units may be granted. On the same date, the Board of Directors of DeA Capital S.p.A., in implementation of the shareholders' resolution, voted: (i) to launch the Performance Share Plan 2018-2020 approved by the Shareholders' Meeting, vesting the Chairman of the Board of Directors and the Chief Executive Officer with all the necessary powers, to be exercised severally and with full power of delegation; and (ii) to grant 1,350,000 units (representing the right to receive ordinary shares in the Company free of charge, under the terms and conditions of the plan) to certain employees and/or directors performing particular roles at the Company, its subsidiaries and the Parent Company De Agostini S.p.A.

Shares allocated due to the vesting of units will be drawn from treasury shares already held by the company.

In addition, the plan enables DeA Capital to oblige beneficiaries to return, in full or in part, shares received pursuant to the Plan, should circumstances emerge that clearly show that incorrect data has been used to verify the achievement of the targets for the vesting of the Units (claw-back).

The Shareholders' Meeting also approved the Company's Remuneration Policy pursuant to Article 123-*ter* of the TUF.

On 08 November 2018, in view of the distribution of the extraordinary dividend of EUR 0.12 per share approved by the Shareholders' Meeting on 19 April 2018, the Board of Directors of DeA Capital, as the competent body pursuant to the plans' regulations, approved a number of amendments to the existing Performance Share Plans in order to keep the substance and financial content unchanged. In particular, the Board voted to compensate for the lower value of the plans following the distribution of the extraordinary dividend, in the event that the vesting conditions are met, by allocating new units, to be determined on the vesting date. The new units, which will be valued at the price per share on the same date, will be allocated pro rata to the portion of units that have vested, up to the maximum number of units provided for under the above-mentioned Plans. The Board also resolved that where the lower value of the plans cannot be compensated for by the allocation of new units, a one-off bonus will be paid as compensation in cash, commensurate with the portion of units that has vested.

The table below summarises the assumptions made in calculating the fair value of the plans:

Performance Share	**plan 2015**	**plan 2015**	**plan 2016**	**plan 2017**	**plan 2017**	**plan 2018**
N° units allocated	515,000	150,000	1,000,000	1,200,000	100,000	1,350,000
Unit value (Eur)	1.46	1.34	1.19	1.36	1.27	1.56
Value at allocation/ modification date (Eur)	302,477	66,750	1,185,000	1,636,800	126,900	2,104,785
Expiry date	30/06/19	30/06/19	30/06/20	30/06/21	30/06/21	30/06/22

Transactions with related parties

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

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

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

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

   At the same time, on 1 January 2013, DeA Capital S.p.A. signed an Agreement to sub-let property for intended use other than residential use with the controlling shareholder, De Agostini S.p.A. The agreement relates to parts of a building located at Via Brera, 21, Milan, comprising space for office use, warehousing and car parking. The aforementioned Contract – renewable every 6 years after an initial term of 7 years – envisages the same conditions as the contract of DeA Capital S.p.A.

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

   The option for DeA Capital S.p.A. is irrevocable for the three-year period 2017-2019.

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

   Deposit/financing operations falling within this Framework Agreement shall be activated only subject to verification that the terms and conditions, as determined from time to time, are advantageous, and will be provided on a revolving basis, and with maturities of not more than three months. The Framework Agreement has a duration of one year and is automatically renewed each year.

   The amounts involved in the deposit/financing operations will, however, always be below the thresholds defined for transactions of lesser importance pursuant to Consob Regulation 17221/2010 (Transactions with Related Parties) and the internal Procedure for Related Party Transactions adopted by DeA Capital S.p.A.

With regard to transactions with Subsidiaries, note the following:

1) On 1 January 2013, DeA Capital S.p.A. signed, with the subsidiaries DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR, Contracts to sub-let property for intended use other than residential use for parts of the building located at Via Brera 21, Milan, comprising space for office use, warehousing and car parking. The aforementioned Contract – renewable every 6 years after an initial term of 7 years – envisages the same conditions as the contract of DeA Capital S.p.A.

2) DeA Capital S.p.A. signed with the subsidiaries DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR Contracts for the provision of Internal Audit services. These contracts – tacitly renewed annually – have been stipulated to increase the efficiency and effectiveness of Internal Audit activities with a view to a more general strengthening of the internal audit function of the Parent Company DeA Capital S.p.A.

3) DeA Capital S.p.A. signed with the subsidiaries DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR Contracts for the provision of Corporate services. These contracts – tacitly renewed annually – were stipulated in order to support the legal functions of the asset management companies, allowing them to benefit from a common platform of resources and professional knowledge functional to the standardisation and transversal nature of operating methods at Group level.

With regard to transactions with Other Related Parties, note the following:

On 29 November 2017, DeA Capital SpA signed with SPAC IDeaMI S.p.A. a contract for the provision of broad-spectrum services, such as administrative, corporate, investor relations, logistics and general services, as well as support and consulting in the search and selection of potential Target companies and in the structuring of the executive procedures for the implementation of the Business Combination operation, subject of the activity of SPAC. The expiry of the contract is related to the effectiveness of the Business Combination.

Lastly, the Company did not hold, purchase or dispose of shares of related-party companies in 2018.

The table below shows the balances arising from transactions with related parties.

	31.12.2018				**Financial Year 2018**			
(EUR thousand)	**Trade receivables**	**Tax receivables**	**Tax payables**	**Trade payables**	**Revenues for services**	**Tax income**	**Personnel costs net of recharged (*)**	**Service costs**
Spc S.p.A.	-	-	-	-	24	-	10	-
DeA Capital Alternative Funds SGR S.p.A.	147	-	64	-	601	-	301	(56)
DeA Capital Real Estate SGR S.p.A.	73	-	-	-	1,249	-	94	-
DeA Capital Partecipazione S.p.A.	-	-	-	-	35	-	5	-
Yard S.p.A.	-	-	-	-	-	-	10	-
IDeaMi S.p.A.	-	-	-	-	250	-	51	-
De Agostini S.p.A.	89	-	1,132	354	345	50	(60)	(620)
De Agostini Publishing Italia S.p.A.	-	-	-	0	-	-	-	-1
De Agostini Scuola S.p.A.	-	-	-	-	-	-	-	-5
DeA Planeta Libri S.p.A.	-	-	-	1	-	-	-	-1
Lottomatica S.p.A.	1	-	-	-	27	-	-	-
De Agostini Editore S.p.A.	-	-	-	97	-	-	-	-257
Total related parties	**310**	-	**1,196**	452	**2,531**	**50**	**411**	**(941)**
Total financial statement line item	**310**	-	**1,411**	**1,260**	**2,594**	**50**	**(3,332)**	**(4,809)**
As % of financial statement line item	**100.0%**	**0.0%**	**84.8%**	**35.9%**	**97.6%**	**100.0%**	**(12.3%)**	**19.6%**

(*) Values Net of revenues concerning the recharge of cost of personnel to the Group Companies.

Remuneration: directors of the board, auditors, general managers and directors with strategic responsibilities

In 2018, remuneration payable to the directors and auditors of DeA Capital S.p.A. for the performance of their duties totalled EUR 330 thousand and EUR 105 thousand respectively.

Remuneration paid to directors and auditors is shown in the table below.

Director	Position	Period position held	Position expires	Fees for position at company preparing the financial statements in EUR thousand	Non-cash benefits	Bonuses and other incentives	Statutory auditors' fees for positions held at subsidiaries	Other remuneration EUR/000
Lorenzo Pellicioli	Chairman	2018	Approval fin. statements 2018	30	0	0	0	0
Paolo Ceretti	Chief Executive Officer	2018	Approval fin. statements 2018	30	0	0	0	0
Pierluigi Rossi	Senior managers with strategic responsibilities	2018	-	0	0	0	0	10
Lino Benassi	Director	2018	Approval fin. statements 2018	30	0	0	0	0
Carlo Ferrari Ardicini	Director	2018	Approval fin. statements 2018	30	0	0	0	0
Donatella Busso	Director	2018	Approval fin. statements 2018	30	0	0	0	15
Francesca Golfetto	Director	2018	Approval fin. statements 2018	30	0	0	0	5
Marco Drago	Director	2018	Approval fin. statements 2018	30	0	0	0	0
Severino Salvemini	Director	2018	Approval fin. statements 2018	30	0	0	0	33
Daniela Toscani	Director	2018	Approval fin. statements 2018	30	0	0	0	15
Elena Vasco	Director	2018	Approval fin. statements 2018	30	0	0	0	10
Marco Boroli	Director	2018	Approval fin. statements 2018	30	0	0	0	0
Cesare Grifoni	Chairman of the Board of Statutory Auditors	2018	Approval fin. statements 2018	45	0	0	7	10
Fabio Facchini	Permanent Auditor	2018	Approval fin. statements 2018	30	0	0	0	0
Annalisa Donesana	Permanent Auditor	2018	Approval fin. statements 2018	30	0	0	5	0

In contrast to the data contained in the Remuneration Report prepared pursuant to Article 123-ter of the TUF in accordance with Article 84-quater of the Issuer Regulation, the emoluments and compensation indicated above do not include social security contributions where applicable.

Other remuneration relates to remuneration received for other positions held in either DeA Capital S.p.A. or other Group companies.

In 2018, annual salaries and bonuses, excluding benefits in kind, paid to managers with strategic responsibilities in the Parent Company totalled about EUR 226 thousand.

Shareholdings held by directors, auditors, general managers and managers with strategic responsibilities

Details of shareholdings held in DeA Capital S.p.A. and its subsidiaries by members of the boards of directors and auditors and by managers with strategic responsibilities are provided in aggregate format in the table below.

No shareholdings were reported for general managers since, to date, this position does not exist.
All those who held positions on the boards of directors or auditors, or as managers with strategic responsibilities, for the whole or part of the year in question, are included.

Name and surname	Investee company	No. of shares held at 1.1.2018	No. of shares purchased	No. of shares sold	No. of shares held at 31.12.2018
Lorenzo Pellicioli	DeA Capital S.p.A.	2,566,323	0	0	2,566,323
Paolo Ceretti	DeA Capital S.p.A.	1,350,000	123,057	0	1,473,057
Dirigenti con responsabilità strategiche	DeA Capital S.p.A.	750,000	61,529	0	811,529
Total		**4,666,323**	**184,586**	**0**	**4,850,909**

No DeA Capital shares are held by other directors or auditors who are currently in office; furthermore, no shares are held in companies controlled by DeA Capital.

Directors Lorenzo Pellicioli, Marco Drago and Marco Boroli own shares of B&D Holding di Marco Drago e C. S.a.p.a. and, in the case of Directors Marco Drago and Marco Boroli, shares of De Agostini S.p.A., which control the Company both directly and indirectly, and are parties to a shareholders' agreement covering these shares.

Stock options allocated to members of the boards of directors and auditors, general managers and managers with strategic responsibilities

Details of stock options held by members of the boards of directors and auditors and by managers with strategic responsibilities in DeA Capital S.p.A. and its subsidiaries are provided in aggregate format in the table below.

Stock options		Options outstanding at 1 January 2018			Options granted during 2018			Options exercised during 2018	Options lapsed/ cancelled during 2018	Options outstanding at 31 December 2018		
Beneficiary	Position	Number of options	Average exercise price	Average expiry date	Number of options	Average exercise price	Average expiry date	Number of options	Number of options	Number of options	Average exercise price	Average expiry date
Paolo Ceretti	CEO	317,229	1.02	5	0	0	0	0	0	317,229	1.02	5

Lastly, note that the Chief Executive Officer, Paolo Ceretti, and managers with strategic responsibilities were assigned 500,000 and 625,000 performance shares respectively in 2018, as shown in the table below:

Performance shares		**Units outstanding at 1 January 2018**			**Units granted during 2018**			**Units exercised during 2018**	**Units lapsed/ cancelled during 2018**	**Units outstanding at 31 December 2018**		
Beneficiary	**Position**	**Number of Units**	**Units Price**	**Average expiry date**	**Number of Units**	**Units Price**	**Average expiry date**	**Number of Units**	**Number of Units**	**Number of Units**	**Units Price**	**Average expiry date**
Paolo Ceretti	CEO	250,000	1.46	4	0	0	0	123,057	0	126,943	1.46	4
Paolo Ceretti	CEO	350,000	1.19	4	0	0	0	0	0	350,000	1.19	4
Paolo Ceretti	CEO	350,000	1.36	4	0	0	0	0	0	350,000	1.36	4
Paolo Ceretti	CEO	0	0	0	500,000	1.56	4	0	0	500,000	1.56	4
Key Management		125,000	1.46	4	0	0	0	61,529	0	63,471	1.46	4
Key Management		150,000	1.34	4	0	0	0	60,590	0	89,410	1.34	4
Key Management		450,000	1.19	4	0	0	0	0	0	450,000	1.19	4
Key Management		475,000	1.36	4	0	0	4	0	0	475,000	1.36	4
Key Management		100,000	1.27	4	0	0	4	0	0	100,000	1.27	4
Key Management		0	0	0	625,000	1.56	4	0	0	625,000	1.56	4

Management and coordination

The Parent Company is subject to the management and coordination of De Agostini S.p.A.

Key figures from the latest approved financial statements of De Agostini S.p.A. are shown below.

(in EUR)

INCOME STATEMENT	**2017**	**2016**
Revenues	3,820,293	3,624,167
Cost of production	(30,993,682)	(43,216,398)
Financial income and charges	73,088,049	71,419,843
Adjustments to value of financial assets	5,645,834	(30,899,082)
Taxes for the year	6,814,146	15,394,435
Net profit	58,374,640	16,322,965

STATEMENT OF FINANCIAL POSITION	**2017**	**2016**
Non-current assets	3,266,200,046	3,267,536,597
Current assets	324,844,872	332,754,164
Accruals and deferrals	6,943,430	7,950,890
Shareholders' equity	(2,733,661,348)	(2,759,516,226)
Provisions for risks and charges	(22,132,436)	(28,972,092)
End-of-service payment provision	(685,715)	(673,977)
Payables	(839,043,607)	(816,336,289)
Accruals and deferrals	(2,465,242)	(2,743,067)

Risks

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

The risks set out below stem from a consideration of the characteristics of the market and the Company's operations, and the main findings of a risk assessment, and from periodic monitoring, including that carried out through the regulatory policies adopted by the Company. There could, however, be risks that are currently unidentified or not considered significant that could have an impact on the Company's operations.

The Company has adopted a modern corporate governance system that provides effective management of the complexities of its operations and enables its strategic objectives to be achieved. Furthermore, the assessments conducted by the organisational units and the directors confirm both the non-critical nature of these risks and uncertainties and the financial solidity of the Company.

With reference to the specific risks associated with investments in Migros and Cellularline, please refer to as described respectively in the Migros Annual Report and the Consolidated Financial Report of Cellularline (available on the websites of the two companies).

A. Contextual risks

A.1. Risks relating to general economic conditions

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

A.2. Socio-political events

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

A.3. Changes in legislation

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

A.4. Performance of the financial markets

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

A.5. Exchange rates

The presence in the portfolio of investments in currencies other than the Euro exposes the Company to changes in exchange rates between currencies. Ad hoc management is reserved for the investment in Kenan Investments, which, although in Euro, has an underlying expressed in Turkish lira. Taking into account the time horizon of the investment, it is believed that the expected return on the investment could absorb any devaluation of the underlying currency, if this is in line with the outlook.

A.6. Interest rates

Ongoing financing operations that are subject to variable interest rates could expose the Company to an increase in related financial charges, in the event that the reference interest rates rise significantly. Here too, the Company has adopted procedures to constantly monitor the risk concerned.

B. Strategic risks

B.1. Concentration of the Private Equity investment portfolio

The Private Equity investment strategy adopted by the Company includes:

- Direct investments;
- indirect investments (in funds).

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

To combat these risk scenarios, the Company pursues an asset allocation strategy intended to create a balanced portfolio with a moderate risk profile, investing in attractive sectors and in companies with an appealing current and future risk/return ratio.

Furthermore, the combination of direct and indirect investments, which, by their nature, provide a high level of diversification, helps reduce the level of asset concentration.

B.2. Concentration of Alternative Asset Management activities

In the Alternative Asset Management business, events could arise as a result of excessive concentration that would hinder the achievement of the level of expected returns. These events could be due to:

• Private equity funds

- concentration of the assets managed by asset management companies across a limited number of funds, if it were decided to terminate the asset management mandate for one or more funds;
- concentration of the financial resources of the funds managed across a limited number of sectors and/or geographical areas, in the event of a currency, systemic or sector crisis;
- for closed-end funds, the concentration of the commitment across just a few subscribers.

• Real estate funds

- concentration of real estate present in the portfolio of managed funds in a few cities and/or in limited types of property (management/commercial), in the event of a crisis in the property market concerned;
- concentration in respect of certain major tenants, if they were to withdraw from the rental contracts, which could lead to a vacancy rate that would have a negative impact on the funds' financial results and the valuation of the properties managed;
- concentration of the maturities of numerous real estate funds within a narrow timeframe, with related high availability of property on the market, leading to a decrease in property values and an increase in selling times.

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

B.3. Key resources (governance/organisation)
The success of the Company depends to a large extent on its executive directors and key management figures, their ability to efficiently manage the business and the normal activities of individual Group companies, as well as knowledge of the market and the professional relationships established.

The departure of one or more of these key resources, without a suitable replacement being found, as well as an inability to attract and retain new and qualified resources, could impact growth targets and have a negative effect on the Company's operating performance and financial results.

To mitigate this risk, the Group has put in place HR management policies that correspond closely to the needs of the business, and incentive policies that are periodically reviewed, in light of, among other things, the general economic climate and the results achieved by the Company.

C. Operational risks

C.1. Investment operations
Investment operations conducted by the Company are subject to the risks typical of private equity activities, such as an accurate valuation of the target company and the nature of the transactions carried out, which require the acquisition of strategic shareholdings, but not controlling interests, governed by appropriate shareholders' agreements.

The Company implements a structured process of due diligence on target companies, which requires the involvement of the different levels of group management involved and the careful definition of shareholders' pacts in order to conclude agreements in line with the investment strategy and the risk profile defined by the Company.

C.2. Divestment operations
In its Private Equity Investment business, the Company generally invests over a medium- to long-term time horizon. Over the investment management period, external situations could arise that might have a significant impact on the operating results of the investee companies and, consequently, on the value of the investment itself. Furthermore, in the case of co-investment, guiding the management of an investee company could prove problematic or infeasible, and it may ultimately prove impossible to dispose of the stakes held due to lock-up clauses. The divestment strategy could therefore be negatively affected by various factors, some of which cannot be foreseen at the time the investments are made.

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

C.3. Funding risk
The income flows expected from the Alternative Asset Management business depend on the capacity of the asset management companies in which the Company invests to stabilise/grow their assets under management.
In this environment, fundraising activities could be harmed both by external and internal factors, such as bad timing in respect of fundraising activities by the asset management companies, or the departure of key managers from the companies.
The Company has established appropriate risk management strategies in relation to fund raising, with a view to both involving new investors and retaining current investors.

Significant events after the reporting date for the 2018 Annual Financial Statements

Funds – Capital Payments/Distributions

In 2019, the Company has increased its investment with payments totalling EUR 507 thousand in the funds IDeA ICF III (EUR 375 thousand) and IDeA CCR II (EUR 132).
At the same time, the Company received capital repayments of EUR 329 thousand from Venere, to be used in full to reduce the value of the units.

Thus, overall, the private equity funds in which DeA Capital S.p.A. has invested generated a net negative cash balance of EUR 178 thousand for its related portion.

Exercise of the remaining Stock Options under the 2014-2016 DeA Capital Plan

In January 2019, 317,229 treasury shares (equal to about 0.1% of the share capital) were attributed following the exercise of the remaining options under the 2014-16 DeA Capital Stock Option Plan, with proceeds of EUR 317 thousand.

Acquisition of minority units in DeA Capital Real Estate SGR

On 1 March 2019, the acquisition was finalised by Fondazione Carispezia of the residual minority shareholding of DeA Capital Real Estate SGR (5.97%) for a base price of approximately EUR 8 million (in addition to an earn-out up to a maximum of EUR 0.9 million, to be paid upon achievement certain targets for new assets under management). The price was paid in treasury shares of DeA Capital S.p.A. (5,174,172 shares, corresponding to approximately 1.7% of the share capital, valued at 1.555 EUR per share). The DeA Capital S.p.A. shares used as payment are subject to a six-month lock-up starting from the date of finalisation of the transaction.

Following this transaction, DeA Capital S.p.A. and its investee companies increased their shareholding up to 100% in the capital of DeA Capital Real Estate SGR.

Further information

Publication of the 2018 Financial Statements

In accordance with the provisions of IAS 10, the Parent Company authorised the publication of these Financial Statements within the terms set by the laws in force.

Transactions deriving from atypical and/or unusual Operations

In 2018, there were no atypical or unusual transactions as defined by Consob Communication 6064293 of 28 July 2006.

Significant non-recurring events and transactions

In 2018, the Group did not undertake any significant non-recurring transactions as defined by the above-mentioned Consob Communication.