Consolidated Financial Statements at 31 December 2018

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Consolidated Statement of Financial Position

(EUR thousand)	Note	31.12.2018	01.01.2018(*)	31.12.2017(^)
ASSETS				
Non-current assets				
Intangible and tangible assets				
Goodwill	1a	93,745	93,745	93,745
Intangible assets	1b	21,023	23,488	23,488
Property, plant and equipment	1c	854	1,458	1,458
Total intangible and tangible assets		*115,622*	*118,691*	*118,691*
Investments				
Investments in associates	2a	20,892	29,293	29,293
Investments held by Funds	2b	23,511	48,583	48,583
- Investments available for sale				*13,683*
- Related companies and JV recognised in P&L				*34,900*
- Other investments at Fair Value through P&L		*23,511*	*48,583*	
Other Investments available for sale	2c			78,953
Other Investments at Fair Value through P&L	2c	50,953	78,953	
Funds available for sale	2d			169,776
Funds at Fair Value through P&L	2d	153,551	169,776	
Other financial assets available for sale				13
Other financial assets at Fair Value through P&L		36	13	
Total financial Investments		*248,943*	*326,618*	*326,618*
Other non-current assets				
Deferred tax assets	3a	2,183	2,173	2,173
Loans and receivables	3b	752	684	684
Receivables for deferment of placement costs	3c	482	587	0
Other non-current assets	3d	4,668	5,403	5,403
Total other non-current assets		*8,085*	*8,847*	*8,260*
Total non-current assets		**372,650**	**454,156**	**453,569**
Current assets				
Trade receivables	4a	14,678	16,069	16,069
Financial assets at Fair Value	4b	6,316	4,385	4,385
Financial receivables	4c	500	578	578
Tax receivables from parent companies	4d	374	1,055	1,055
Other tax receivables	4e	15,760	11,272	11,272
Other receivables	4f	4,051	16,886	16,886
Cash and cash equivalents	4g	143,767	127,916	127,916
Total current assets		*185,446*	*178,161*	*178,161*
Total current assets		**185,446**	**178,161**	**178,161**
TOTAL ASSETS		**558,096**	**632,317**	**631,730**
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital		306.612	306.612	306.612
Share premium reserve		240.859	271.309	271.309
Legal reserve		61.322	61.322	61.322
Own share reserve		(82.766)	(80.026)	(80.026)
Fair value reserve		(179)	(6)	77.009
Other reserves		(18.555)	(17.602)	(18.048)
Retained earnings (losses)		(51.882)	(40.080)	(117.095)
Profit (loss) for the year		11.070	(11.652)	(11.652)
Net equity Group		**466,481**	**489,877**	**489,431**
Minority interests		**39,299**	**95,182**	**95,182**
Shareholders' equity	5	**505,780**	**585,059**	**584,613**
LIABILITIES				
Non-current liabilities				
Trade payables	6a	900	0	0
Deferred tax liabilities	3a/6b	6,018	8,190	8,049
End-of-service payment fund	6c	4,637	4,204	4,204
Financial liabilities	6d	2,859	0	0
Other debts		0	81	81
Total non-current liabilities		**14,414**	**12,475**	**12,334**
Current liabilities				
Trade payables	7a	5,535	6,594	6,594
Payables to staff and social security organisations	7b	9,122	8,330	8,330
Current tax	7c	5,846	1,998	1,998
Other tax payables	7d	1,256	5,564	5,564
Other payables	7e	15,939	12,097	12,097
Short term financial payables	7f	204	200	200
Total current liabilities		**37,902**	**34,783**	**34,783**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**558,096**	**632,317**	**631,730**

(*) Figures at 31 December 2017 reclassified/restated for the application of IFRS 9 and IFRS 15.
(^) The classification of Equity items 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, please see the description in the section "Structure and Content of the Consolidated 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.

Consolidated Income Statement

Following the introduction of IFRS 9 starting from 1 January 2018, all 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 Consolidated Income Statement between 2018 and 2017 is therefore not significant with reference to the performance of Other Investment income/expense.

(EUR thousand)	**Note**	**Financial Year 2018**	**Financial Year 2017**
Alternative Asset Management fees	8	62,422	57,944
Income from equity investments	9	(59)	3,898
Other investment income/expense	10	37,848	8,633
Income from services	11	2,505	2,208
Other income	12	141	144
Personnel costs	13a	(30,610)	(29,893)
Service costs	13b	(17,137)	(16,799)
Depreciation, amortization and impairment	13c	(3,909)	(41,529)
Other expenses	13d	(4,576)	(10,395)
Financial income	14a	814	553
Financial expenses	14b	(329)	(637)
PROFIT/(LOSS) BEFORE TAX		**47,110**	**(25,873)**
Income tax	15	(5,765)	(420)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**41,345**	**(26,293)**
Profit (Loss) from discontinued operations/held-for-sale assets		0	682
PROFIT/(LOSS) FOR THE PERIOD		**41,345**	**(25,611)**
- Group share		11,070	(11,652)
- Non controlling interests		30,275	(13,959)
Earning per share, basic (€)	16	0.044	(0.045)
Earning per share, diluted (€)	16	0.044	(0.045)

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

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

Comprehensive Income or the Statement of Performance (IAS 1), in which performance for the period attributable to the Group is reported including results posted directly to shareholders' equity, reflects a net positive balance of approximately EUR +10,881 thousand compared with a net negative balance of approximately EUR -2,708 thousand in 2017.

(EUR thousand)	Financial Year 2018	Financial Year 2017
Profit/(loss) for the period (A)	**41,345**	**(25,611)**
Comprehensive incomes/expenses which might be subsequently reclassified to the profit (loss) for the period	(173)	7,962
Incomes (Losses) om financial assets at fair value (*)	*(173)*	*8,608*
Other changes in valuation reservers of associated companies	*0*	*(646)*
Comprehensive income/expense which will not be subsequently reclassified to profit (loss for the period)	(21)	14
Gains/losses) on remeasurement of defined benefit plans	*(21)*	*14*
Other comprehensive income (loss), net of tax (B)	**(194)**	**7,976**
Total comprehensive income for the period (A)+(B)	**41,151**	**(17,635)**
- Group Share	10,881	(2,708)
- Non Controlling Interests	30,270	(14,927)

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

Consolidated Cash Flow Statement - Direct Method

(EUR thousand)	Financial Year 2018	Financial Year 2017
CASH FLOW from operating activities		
Investments in funds and shareholdings	(67,924)	(43,560)
Capital reimbursements from funds	58,671	40,427
Sale of investments	84,760	80,960
Interest received	574	128
Interest paid	(32)	(36)
Cash distribution from investments	18	1,588
Realized gains (losses) on exchange rate and derivatives	1	(3)
Taxes paid / reimbursed	(10,238)	4,663
Dividends received	183	607
Management and perfomance fees received	76,333	48,954
Revenues for services	2,350	2,376
Operating expenses	(48,288)	(44,958)
Net cash flow from operating activities	**96,408**	**91,146**
CASH FLOW from investment activities		
Acquisition of property, plant and equipment	(118)	(85)
Sale of property, plant and equipment	38	5
Purchase of licenses and intangile assets	(195)	(553)
Net cash flow from investing activities	**(275)**	**(633)**
CASH FLOW from investing activities		
Acquisition of financial assets	(2,726)	(2,696)
Sale of financial assets	200	2,505
Share capital issued	696	1,574
Own shares acquired	(3,186)	(8,042)
Share capitai issued for Stock Option Plan	0	276
Dividends paid	(75,508)	(53,569)
Loans and bank loans	432	917
Net cash from financing activities	**(80,092)**	**(59,035)**
CHANGE IN CASH AND CASH EQUIVALENTS	**16,041**	**31,478**
CASH AND CASH EQUIVALENIS AT BEGINNING OF PERIOD	**127,916**	**96,438**
Effect of change in basis of consolidation: cash an d cash equivalents	(190)	0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**143,767**	**127,916**

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

Consolidated Statement of Changes in Shareholders' Equity (*)

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Reverse of own shares	Fair Value reserve
Total at 31 December 2016	**261,207**	**267,640**	**61,322**	**0**	**67,842**
Allocation of 2016 net profit	0	0	0	0	0
Performance shares cost	0	0	0	0	0
Purchase of own shares	(6,018)	(2,024)	0	0	0
Own shares delivered for incentive plans	481	254	0	0	0
Dividend distribution	0	(31,157)	0	0	0
Other changes	0	0	0	0	214
Total comprehensive income (loss) 2017	0	0	0	0	8,953
Total at 31 December 2017	**255,670**	**234,713**	**61,322**	**0**	**77,009**
Reclassification of reserve of own shares	50,942	29,084	0	(80,026)	0
Reclassification of reserve relating to shares issued costs and other reserves	0	7,512	0	0	0
Total at 31 December 2017 "Post Reclassification"	**306,612**	**271,309**	**61,322**	**(80,026)**	**77,009**

(*) The classification of Equity items 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, please see the description in the section "Structure and Content of the Consolidated Financial Statements".

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Reverse of own shares	Fair Value reserve
Total at 31 December 2017 "Post Reclassification"	**306,612**	**271,309**	**61,322**	**(80,026)**	**77,009**
Reclassification for IFRS 9 application	0	0	0		(77,015)
Restatement for IFRS 15 application	0	0	0		0
Total a 1 January 2018	**306,612**	**271,309**	**61,322**	**(80,026)**	**(6)**
Allocation of 2017 net loss	0	0	0	0	0
Performance shares cost	0	0	0	0	0
Purchare of own shares	0	0	0	(3,186)	0
Treasury shares given for incentive plans	0	0	0	446	0
Dividend distribution	0	(30,450)	0	0	0
Other changes	0	0	0	0	0
Total comprehensive income (loss) 2018	0	0	0	0	(173)
Total at 31 December 2018	**306,612**	**240,859**	**61,322**	**(82,766)**	**(179)**

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

Other reserves	Retained earnings and losses	Group Profit & Loss	Group total	Non-controlling interests	Consolidated shareholders' equity
(11,661)	**(129,574)**	**12,427**	**529,203**	**131,844**	**661,047**
0	12,427	(12,427)	0	0	0
1,227	0	0	1,227	0	1,227
0	0	0	(8,042)	0	(8,042)
(511)	52	0	276	0	276
0	0	0	(31,157)	(1,808)	(32,965)
418	0	0	632	(19,927)	(19,295)
(9)	0	(11,652)	(2,708)	(14,927)	(17,635)
(10,536)	**(117,095)**	**(11,652)**	**489,431**	**95,182**	**584,613**
0	0	0	0	0	0
(7,512)	0	0	0	0	0
(18,048)	**(117,095)**	**(11,652)**	**489,431**	**95,182**	**584,613**

Other reserves	Retained earnings and losses	Group Profit & Loss	Group total	Non-controlling interests	Consolidated shareholders' equity
(18,048)	**(117,095)**	**(11,652)**	**489,431**	**95,182**	**584,613**
0	77,015	0	0	0	0
446	0	0	446	0	446
(17,602)	**(40,080)**	**(11,652)**	**489,877**	**95,182**	**585,059**
0	(11,652)	11,652	0	0	0
826	0	0	826	0	826
0	0	0	(3,186)	0	(3,186)
(296)	(150)	0	0	0	0
0	0	0	(30,450)	(2,648)	(33,098)
(1,467)	0	0	(1,467)	(83,505)	(84,972)
(16)	0	11,070	10,881	30,270	41,151
(18,555)	**(51,882)**	**11,070**	**466,481**	**39,299**	**505,780**

Notes to the Financial Statements
Consolidated Financial Statements at 31 December 2018

Notes to the Financial Statements
Consolidated Financial Statements at 31 December 2018

A. Structure and content of the Consolidated Financial Statements

The Consolidated Financial Statements at 31 December 2018 include the Parent Company DeA Capital S.p.A. and all subsidiaries (the Group), and were prepared using the separate financial statements of the companies included in the scope of consolidation corresponding to the relevant individual statements, restated as necessary, to adapt them to the accounting standards listed below and as dictated by Italian law.

The Consolidated Financial Statements were prepared in accordance with the general principles of IAS 1, and specifically:
- the matching principle: the effect of events and transactions is recorded when they occur, and not when payment is made or received;
- the going-concern principle: the Financial Statements are prepared under the assumption that business operations will continue for the foreseeable future. In this regard, as indicated in the section "Main risks and uncertainties" in the Report on Operations, the directors believe that the risks and uncertainties described therein are not critical in nature, confirming the financial solidity of the DeA Capital Group;
- the materiality principle: when reporting operating events in accounting entries, preference is given to the principle of economic substance over form;
- the accounting comparability principle: the Consolidated Financial Statements must show comparative information for the previous period.

In this regard, it is noted that the classification of Equity items 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 laid down by IFRS 9 and IFRS 15 starting from 1 January 2018, it became necessary to restate the accounting balances at 31 December 2017.
Therefore, in the Balance Sheet, the following was stated as comparison with the balances at 31 December 2018:
- **the figures at 31 December 2017 resulting from the Financial Statements approved with the existing structure/ classification, in particular with regard to financial instruments;**
- **the figures at 1 January 2018, or the figures at 31 December 2017 re-expressed on the basis of the new classification required by IFRS 9 and adjusted to reflect the impact arising from the application of IFRS 15. For further details, please see the section "Changes in accounting standards and errors – Reclassification/ Restatement".**

The Consolidated Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, the Statement of Comprehensive Income (Statement of Performance – IAS 1) and the Notes to the Financial Statements. The Consolidated Financial Statements are also accompanied by the Report on Operations and a Statement of Responsibilities for the Accounts pursuant to Article 154-*bis* of Legislative Decree No 58/98.

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

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

The publication of the Consolidated Financial Statements at 31 December 2018 was authorised by a resolution of the Board of Directors dated 7 March 2019.

Statement of compliance with accounting standards
The Consolidated Financial Statements at 31 December 2018 (2018 Consolidated Financial Statements) have been prepared in accordance with the International Accounting Standards adopted by the European Union and approved by the date that the Financial Statements were prepared, hereinafter the International Accounting Standards, or individually IAS/IFRS, or collectively IFRS (International Financial Reporting Standards). In preparing the Consolidated 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 Consolidated Financial Statements were prepared with a focus on clarity, and provide a true and fair view of the assets, financial situation, operating result and cash flows for the period.

Accounting standards, amendments and interpretations applied as of 1 January 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 Group 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 the recognition and the measurement of financial assets and liabilities, and hedge accounting, fully replaces IAS 39 (Financial instruments: Recognition and Measurement).

In particular, the standard contains a framework for the classification and 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 provided for. 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 sell (HTC&S), or financial assets held with the aim of collecting cash flows contractually provided for, 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 from 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 DeA Capital Group concerned:
a) the classification and valuation of financial assets;
b) the determination of impairment of trade and financial receivables;
c) the treatment of hedge accounting.

a. Classification and valuation 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 through 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 shareholders' equity item AFS Reserve accrued at 31 December 2017, net of related tax effects recognised as Tax Assets and/or Tax Liabilities, have been reclassified under the shareholders' equity item "Profits (losses) previous years carried forward", leaving the starting shareholders' equity 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 that can 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 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 capital gains/losses).

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

The shareholders' equity item AFS Reserve accrued at 31 December 2017, net of related tax effects recognised as Tax Assets and/or Tax Liabilities, have been reclassified under the shareholders' equity item Profits (losses) previous years carried forward leaving the starting shareholders' 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 Group in the portfolio at 31 December 2017 and 31 December 2018 have "plain vanilla" characteristics that enable the passing of 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 arising 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 set out 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 stages and the "three stages - expected loss approach". The guiding principle is to reflect the general pattern of deterioration in 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 set out for trade receivables, contract activities and implicit loans in leasing contracts. This approach requires that the company must always evaluate the provision to cover losses at an amount equal to the losses expected throughout the life of the loan, without carrying out the verification process on whether there has been significant deterioration of the customer's credit quality compared to the moment of initial recognition (as provided for by the general model).

In consideration of the business conducted by the Group and the type of financial assets held, the DeA Capital Group has adopted this simplified model laid down by IFRS 9, without detecting a need for adjustments with respect to the results of the previously adopted reporting method.

c. Hedge accounting

No analysis was required for the DeA Capital Group as the Group did not hold derivative financial instruments and had no outstanding hedging transactions at 31 December 2017 (nor 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), as 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 revenue 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 revenue defines a five-step model for recognising revenue 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 revenue when the relevant performance obligation has been fulfilled. In particular, this occurs when an obligation to do is completed, transferring the goods or service to the customer, or the extent to which the customer obtains control of the goods 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, the Cumulative Catch-up Method.

Starting from 1 January 2018, the Group has adopted the Cumulative Catch-up Method, recognising the cumulative effect of the standard as an adjustment to the opening balance of Other Reserves, applied only to contracts that were not completed on 1 January 2018.

The application of said standard by the DeA Capital Group concerned the following categories of revenue/costs:

a) establishment/subscription fees of a fund: the fees received as remuneration for the set-up of a fund. These fees, with the Accounting Standards in force until 31 December 2017, were recognised as revenue at the time of subscription to the Fund. Conversely, the costs incurred by the Management Company for the set-up of the fund were recognised in the year in which they were incurred, consistently with the recognition of the set-up or subscription fees.
From 1 January 2018, the recognition of these fees must be assessed in accordance with the provisions of IFRS 15. From point B48 onwards, IFRS 15 establishes that in some contracts, at the beginning of the contract, or at a close date, the entity may invoice to the customer non-reimbursable initial expenses. In such cases, the entity must assess whether the payment received by the customer should be considered an advance for a service and transfer of an asset that will subsequently take place, or can be considered the payment of a service actually rendered at the time of payment. In the first case, revenue must be recorded subsequently, at the time of provision of the service or the transfer of the asset; otherwise, the revenue must be recognised immediately at a point in time upon payment.
In addition, IFRS 15 clarifies that the entity can invoice non-reimbursable expenses in part as payment for the costs incurred for the preparation of a contract (or for administrative tasks described in paragraph 25).
In the light of the above, the initial set-up/subscription fee covers the initial costs of structuring the fund, thus creating the vehicle that is thus made available to the end customer and ready for management. It is therefore a performance obligation concluded at a point in time or at the time when these expenses are incurred, with the related registration of the revenue both in the case in which they are charged back directly to the fund in a timely and analytical manner when incurred, and if they are remunerated with a one-time fee.

To support this conclusion, there would be no sense in obtaining different results depending on the contractual provisions set forth in the fund regulation, which may include both direct charge-back to the fund of the expenses by the management company in a timely and analytical manner when incurred, and the charge-back to the fund of these expenses through a one-time fee, having both the same economic nature.
If the recognition of the revenue from the one-time fee is not immediate, there would be an inevitable time lag between costs incurred and revenue recorded. In accordance with the provisions of IFRS 15 (from 95 to 98), the set-up costs, mainly external legal and consultancy costs, incurred by the company without considering whether the set-up of the fund will take place, cannot be considered incremental costs that can be capitalised and must therefore be expensed when incurred.
In conclusion, the accounting treatment adopted up to 31 December 2017 for both the upfront fees and the expenses incurred is in line with the provisions of IFRS 15.

b) Set-up fees: the costs that the Company incurs to carry out the activities necessary for the set-up of a fund, in order to make the fund operational at the time of closing. These costs are to be intended as one-time fees for the start-up of the fund and are therefore expensed in the year in which they are incurred, consistently with the recognition of the set-up or subscription fees. **The Group considers the accounting treatment adopted until 31 December 2017 to be in line with the provisions of IFRS 15.**

c) Management fees: the fees that the Company receives as remuneration for its fund management activities. By means of the Accounting Standards in force until 31 December 2017, the Company recognised the management fees as revenue over the duration of the fund's management (over the time, linearly over the life of the fund), or as the customer gradually acquired control and benefited from the management of the investments made by the fund, but above all benefited from the gains arising from the disposal of the investments.
Management fees may have a fixed component and a variable component; the Group only receives fees with the fixed component only; however, it is believed that even if a variable component were to exist, the revenue must be recorded at a point in time when it is highly probable that these management fees may not be reversed in the future.
From 1 January 2018, the recognition of these fees must be assessed in accordance with the provisions of IFRS 15.
The Group considers the accounting treatment adopted until 31 December 2017 to be in line with the provisions of IFRS 15.

d) Placement fees and quality signalling costs: incremental costs that the Company incurs in order to add an investor to the subscribers of a fund.

- **Placement fees:** if the Company pays a fee to a third party because it has successfully presented an investor (to be added to the list of subscribers of a new fund) and, at the same time, the cost remains with the management company (the fund is not obliged to reimburse the management company for these costs), from the point of view of IFRS 15, the management company recognises the incremental costs for the subscriber to obtain the new fund as an asset (deferred asset) if it is expected to recover this cost. The incremental costs for a subscriber to obtain a fund are costs that the management company would not incur if it did not add the subscriber to the list of fund subscribers.
  By means of the accounting standards in force until 31 December 2017:
  - placement fees for the **ICG fund** were recorded, starting from the end of 2013, quarterly on the basis of invoices received (over time);
  - on the contrary, the placement fees of **ToI** had been registered as one-time in 2014, in 2015 and especially in 2016.
  From 1 January 2018, the accounting recognition of these fees must be assessed in the light of the provisions of IFRS 15 and in particular by correlating this cost to the associated management fees, therefore both over the time of the fund.
  In conclusion, upon first-time adoption of IFRS 15, the Company adopted the new standard with retroactive limited application or by recording the effect arising from the transition (equal to EUR 446 thousand) as an adjustment to shareholders' equity at 1 January 2018.

- **Quality signalling costs**: the DeA Capital Group has signed two Quality Signalling contracts whereby, on a non-exclusive basis, the Signaller is conferred the task of merely indicating to its contacts, or potential customers (subjects who spontaneously declare to be interested in examining the possibility of investing in the products and services offered by the management company), the name of the management company and the generic statement of the relative quality and expertise, aimed at introducing these contacts directly to the management company. Following this introduction, no further activity will be carried out by the Signaller, nor be requested by the management company in relation to the aforementioned contacts. The Signaller will provide the management company in writing with a list containing the indication of the names of potential customers for which the reporting activity was performed. The report will produce its effects throughout the duration of the fund to which the signalled subscriber has subscribed. Therefore, the management company has an advance payment for future transfers of services for these contracts.

By means of the Accounting Standards in force until 31 December 2017, the Company had suspended these advance payments with the recognition of a deferred asset. It recognises the cost at the time of accounting of the management fees' income, generated by the subscription of the funds by the potential customers indicated by the Signaller, with a *pro-rata temporis* alignment of the accounting of the aforementioned costs to the related revenue.

From 1 January 2018, the recognition of these fees must be assessed in accordance with the provisions of IFRS 15.

The Group considers the accounting treatment adopted until 31 December 2017 to be in line with the provisions of IFRS 15.

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 a 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 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 a 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 a 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 arising 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 Group, but were already approved for adoption in the European Union as of 7 March 2019

The International Accounting Standards, together with the interpretations and changes to existing IASB-approved accounting standards and interpretations that were approved for adoption in the European Union on 7 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 a 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. Through 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 the 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, paragraphs 5-6) **must be recognised in the balance sheet of lessees as a 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, namely the 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 account separately for the interest expenses on the lease liability and amortisation of the right to use the asset.
Lessees will also have to remeasure the lease liability upon the occurrence of certain events (for example: a change in the 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 recognise the amount of the new measurement of the lease liability as a correction of the right to use the asset.

The accounting treatment provided for by IFRS 16 for lessees is substantially unchanged with respect to IAS 17. 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 a 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 DeA Capital Group has started an analysis, still in progress, on the accounting impacts resulting from the introduction of IFRS 16. In particular, the DeA Capital Group has chosen to adopt the modified retrospective approach, with the recognition of the cumulative effect arising from the recognition of assets consisting of the right of use and the corresponding liabilities as an adjustment of the opening balance of the Profits (losses) previous years carried forward. No significant impacts are expected in terms of Group 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 a 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 amortised cost or at fair value through other comprehensive income (OCI) of financial assets characterised by an early repayment option with "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 a 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 Group and are not yet approved for adoption in the European Union at 7 March 2019

The International Accounting Standards, interpretations and amendments to existing IASB-approved accounting standards and interpretations that had not been approved for adoption in the European Union at 7 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 (e.g. life, non-life, direct insurance, reinsurance), 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 VFA/variable fee approach);
- a simplified approach (the approach to the allocation of premiums) mainly for short-term contracts.

IFRS 17 will enter into force for the years starting from 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 IFRSs - 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 a 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 a 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 a 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 a business" aimed at resolving the difficulties that arise when a business must assess whether it has acquired a business or a group of assets. The amendments indicate that, to be considered a business, 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 an output. Guidelines and illustrative examples are included.

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

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

Scope of consolidation

The scope of consolidation at 31 December 2018 has changed compared to the situation at 31 December 2017, due to the incorporation of DeA Capital Real Estate France and the sale of 100% of SPC to the YARD Group.

Also of note is the purchase by the DeA Capital Group of the shares previously held by INPS and other minority shareholders in DeA Capital Real Estate SGR, thus reaching 94.03% of the company's share capital, compared to 64.30% held at 31 December 2017.

Therefore, at 31 December 2018, the following companies formed part of the DeA Capital Group's scope of consolidation:

Company	Registered office	Currency	Share capital	% holding	Consolidation method
DeA Capital S.p.A.	**Milan, Italy**	**Eur**	**306,612,100**	**Holding**	
DeA Capital Alternative Funds SGR S.p.A.	Milan, Italy	Eur	1,200,000	100.00%	Full consolidation
IDeA OF I	Milan, Italy	Eur	-	46.99%	Full consolidation
DeA Capital Partecipazioni S.p.A.	Milan, Italy	Eur	600,000	100.00%	Full consolidation
DeA Capital Real Estate SGR S.p.A.	Rome, Italy	Eur	16,757,557	94.03%	Full consolidation
DeA Capital Real Estate France S.A.S.	Paris, France	Eur	100,000	70.00%	Full consolidation
YARD Group	Milan, Italy	Eur	597,725	45.00%	Equity accounted (Associate)
IDeA Efficienza Energetica e Sviluppo Sostenibile	Milan, Italy	Eur	-	30.40%	Equity accounted (Associate)
Venere	Rome, Italy	Eur	-	27.27%	Equity accounted (Associate)

The above list meets the requirements of Consob Resolution 11971 of 14 May 1999, as amended (Article 126 of the Regulation).

Consolidation method

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

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

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

The financial statements to be consolidated, which were drawn up on 31 December 2018, were prepared and approved by the Boards of Directors of the individual companies, appropriately adjusted, where necessary, to harmonise them with the Parent Company's accounting standards.

The criteria adopted for the application of the line-by-line consolidation method are as follows:

1. The financial statements of the Parent Company and subsidiaries are incorporated on a line-by-line basis.
2. The carrying value of the investment is offset against the corresponding net equity figure. When a company is included for the first time in the consolidation, the cost of the business combination is allocated to the identifiable assets acquired and the liabilities assumed, restating them at fair value, as well as minority interests, valuing them at fair value, since the Group opted for the right to record the entire amount of goodwill arising from the transaction, including the portion pertaining to third parties (full goodwill approach). Any residual part, if negative, is recorded in the Income Statement, while if positive, it is recorded in an asset item called Goodwill, which is annually subjected to an impairment test.
3. Transactions between consolidated companies are eliminated, as are payables and receivables and unrealised profits resulting from transactions between Group companies net of any tax impact.
4. The portions of shareholders' equity attributable to minority shareholders are reported, along with the respective share of net profit for the period, in appropriate shareholders' equity items.

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

B. Measurement criteria adopted

The measurement criteria adopted on the basis of International Accounting Standards and reported below are consistent with the going-concern principle and have not changed from those used in the preparation of the Consolidated Financial Statements at 31 December 2017 and the Summary Consolidated Half-year Financial Statements at 30 June 2018, apart from as a result of the application of the new IAS/IFRS accounting standards as described above.

Current and non-current assets and liabilities

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

- it is expected to be converted during a company's normal operating cycle. A 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 12 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 that have no restrictions that would limit its use in the 12 months following the end of the financial year.

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

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

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

- it is expected to be settled during the company's normal operating cycle;
- it is held mainly for trading purposes;
- 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.

Goodwill

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

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

Intangible assets

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

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

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

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

Except for intangible assets involving rights connected with final variable commission, intangible assets with a finite useful life are amortised on a straight-line basis over their useful lives.
The value of the rights associated with the final variable fees is subject to adequacy verification 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 to 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 and 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.

Associates

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

If the Group's share of an associate's losses exceeds the carrying value of the equity investment reported in the financial statements, the carrying value of the equity investment is eliminated, and the share in further losses is not reported unless, and to the extent that, the Group is legally liable for such losses.
When the equity investment is acquired, any difference between its cost and the Parent Company's stake in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as required by IFRS 3, i.e. any goodwill is included in the carrying value of the equity investment.

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

Financial assets

Based on the classification of financial assets under IFRS 9, which as of 1 January 2018 has entirely replaced IAS 39, the Group 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. They are subsequently 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 Group has adopted the simplified model laid down by IFRS 9. For further details, please see the section "Accounting 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 the DeA Capital Group 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, thematic 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 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 the DeA Capital Group 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 Group has adopted the simplified model laid down by IFRS 9. For further details, please see 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 within 90 days and are subject to a negligible risk of price variation. They are reported at fair value.

Assets held for sale

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 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 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.

The item Financial liabilities also includes the liabilities arising from the estimate of earn-out arising from the purchase of company shares or business units.
When the acquisition contract provides for adjustments to the purchase price subordinated to one or more subsequent events, the acquiring party must recognise the fair value, at the acquisition date, of this potential amount as part of the amount transferred in exchange for the acquired party. Changes subsequent to the initial recognition of the fair value of these contingent amounts must be recognised as follows:

a) if the changes in fair value result from further information obtained by the acquiring party after the acquisition date on facts and circumstances existing at that date, these changes are adjustments for the valuation period and therefore fall within the amount transferred for the acquisition;
b) if the changes in fair value result from events subsequent to the acquisition date (such as the achievement of an income target, the achievement of a specific share price, etc.), these changes are not adjustments for the valuation period and the contingent amount must be measured at fair value at each reporting date, and changes in fair value must be recognised in profit (loss) for the year.

Provisions for risks and future liabilities

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

- it has a legal or implicit obligation to third parties resulting from a past event;
- it is likely that the use of Group resources will be necessary 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.

Revenue and income

Revenue for services are recognised at the time the service is provided, based on the dictates of IFRS 15 – Revenue from Contracts with Customers. For further details, please see the information outlined in the section "Accounting standards, amendments and interpretations applied from 1 January 2018".

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, etc.).
- 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, etc.) 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 expenses and calculated by applying a discount rate (based on the high-quality corporate bonds rate at the end of the year) to the balance of the existing plan at the beginning of the year.

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

Share-based payments

In the Group, benefits are provided in the form of stock options or share-based payments. This applies to all employees, collaborators and directors of the Group 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 the determination of the most appropriate valuation model for granting equity instruments, which therefore depends on the terms and conditions under which these instruments are granted. This also requires the identification of data to input into the valuation model, including assumptions on the expected life of the options, volatility and the share return.

Income tax

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

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

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

The carrying values of deferred tax assets are analysed periodically and reduced to the extent that sufficient taxable income to allow use will not be generated.

Earnings per share

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

C. Changes in accounting standards and the treatment of

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

The application of a new or amended accounting standard is recorded as required by the standard itself, adapting the comparative information if necessary. 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 standards is used, providing comparative information. If there are minor errors, corrections are posted to the income statement in the period in which the error is discovered.

Reclassification / Restatement

Following the application starting from 1 January 2018 of IFRS 9 and IFRS 15, the reclassification / restatement of the Financial Statements at 31 December 2017 was necessary in order to reflect the impacts.

The following is a reconciliation statement between the Balance Sheet at 31 December 2017 as reported and the same scheme revised in light of the application of the new accounting standards IFRS 9 and IFRS 15 starting from 1 January 2018 (in thousands of EUR):

(EUR thousand)	**31.12.2017**	**1.1.2018 reclassified for IFRS9 application**
ASSETS		
Non-current assets		
Intangible and tangible assets		
Goodwill	93,745	93,745
Intangible assets	23,488	23,488
Property, plant and equipment	1,458	1,458
Total intangible and tangible assets	*118,691*	*118,691*
Investments		
Investments in associates	29,293	29,293
Investments held by Funds	48,583	48,583
- Investments available for sale	*13,683*	
- Related companies and JV recognised in P&L	*34,900*	
- Other investments at Fair Value through P&L		*48,583*
Other Investments available for sale	78,953	
Other Investments at Fair Value through P&L		78,953
Funds available for sale	169,776	
Funds at Fair Value through P&L		169,776
Other financial assets available for sale	13	
Other financial assets at Fair Value through P&L		13
Total Investments	*326,618*	*326,618*
Other non-current assets		
Deferred tax assets	2,173	2,173
Loans and receivables	684	684
Other non-current assets	5,403	5,403
Total other non-current assets	*8,260*	*8,260*
Total non-current assets	**453,569**	**453,569**
Current assets		
Trade receivables	16,069	16,069
Financial assets measured at Fair Value	4,385	4,385
Financial receivables	578	578
Tax receivables from parent companies	1,055	1,055
Other tax receivables	11,272	11,272
Other receivables	16,886	16,886
Cash and cash equivalents	127,916	127,916
Total current asset	*178,161*	*178,161*
Total current asset	**178,161**	**178,161**
Available for sale	**0**	**0**
TOTAL ASSETS	**631,730**	**631,730**
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	306,612	306,612
Share premium reserve	271,309	271,309
Legal reserve	61,322	61,322
Own shares reserve	(80,026)	(80,026)
Fair value reserve	77,009	(6)
Other reserves	(18,048)	(18,048)
Retained earnings (losses)	(117,095)	(40,080)
Profit (loss) for the year	(11,652)	(11,652)
Net equity Group	**489,431**	**489,431**
Minority interests	**95,182**	**95,182**
Shareholders' equity	**584,613**	**584,613**
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	8,049	8,049
End-of-service payment fund	4,204	4,204
Financial liabilities	0	0
Other debts	81	81
Total non-current liabilities	**12,334**	**12,334**
Current liabilities		
Trade payables	6,594	6,594
Payables to staff and social security organisations	8,330	8,330
Current tax	1,998	1,998
Other tax payables	5,564	5,564
Other payables	12,097	12,097
Short term financial loans	200	200
Total current liabilities	**34,783**	**34,783**
Held-for-sale liabilities	**0**	**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**631,730**	**631,730**

(EUR thousand)	Retatement for IFRS 15 application	1.1.2018 with implementation of IFRS 9 and IFRS 15
ASSETS		
Non-current assets		
Intangible and tangible assets		
Goodwill		93,745
Intangible assets		23,488
Property, plant and equipment		1,458
Total intangible and tangible assets	*0*	*118,691*
Investments		
Investments in associates		29,293
Investments held by Funds	0	48,583
- Investments available for sale		
- Related companies and JV recognised in P&L		
- Other investments at Fair Value through P&L		*48,583*
Other Investments available for sale		
Other Investments at Fair Value through P&L		78,953
Funds available for sale		
Funds at Fair Value through P&L		169,776
Other financial assets available for sale		
Other financial assets at Fair Value through P&L		13
Total Investments	*0*	*326,618*
Other non-current assets		
Deferred tax assets		2,173
Loans and receivables		684
Receivables for deferment of placement costs	587	587
Other non-current assets		5,403
	587	*8,847*
Total non-current assets	**587**	**454,156**
Current assets		
Trade receivables		16,069
Financial assets measured at Fair Value		4,385
Financial receivables		578
Tax receivables from Parent companies		1,055
Other tax receivables		11,272
Other receivables		16,886
Cash and cash equivalents		127,916
Total current assets	*0*	*178,161*
Total current assets	**0**	**178,161**
Held-for-sale assets		
TOTAL ASSETS	**587**	**632,317**
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital		306,612
Share premium reserve		271,309
Legal reserve		61,322
Own shares reserve		(80,026)
Fair value reserve		(6)
Other reserves	446	(17,602)
Retained earnings (losses)		(40,080)
Profit (loss) for the year		(11,652)
Net equity Group	**446**	**489,877**
Minority interests	**0**	**95,182**
Shareholders' equity	**446**	**585,059**
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	141	8,190
End-of-service payment fund		4,204
Financial liabilities		0
Other debts		81
Total non-current liabilities	**141**	**12,475**
Current liabilities		
Trade payables		6,594
Payables to staff and social security organisations		8,330
Current tax		1,998
Other tax payables		5,564
Other payables		12,097
Short term financial loans		200
Total current liabilities	**0**	**34,783**
Held-for-sale liabilities		**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**587**	**632,317**

In particular, upon first-time adoption of IFRS 15, the Group adopted the new standard with retroactive limited application, applying the Cumulative Catch-up Method, or recording the effect deriving from the transition - equal to EUR 446 thousand - as an adjustment to shareholders' equity at 1 January 2018. This adjustment refers to a different treatment of placement fees incurred in previous years for the launch of new funds which, in light of the provisions of IFRS 15, are now accounted for always over time, or by correlating the costs incurred to management fees and distributing them over the duration of the funds.

No restatement / reclassification, on the other hand, was necessary in the income statement as it was not required by IFRS 9 and not applied for IFRS 15 in light of the adoption of the Cumulative catch-up method.

It is also noted that the classification of Equity items 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 Consolidated Financial Statements.

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 revenue 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 elements 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 investments, goodwill and intangible assets.

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

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

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

These valuations are calculated by directors based on their best judgement and estimation using the knowledge and evidence available at the time the Consolidated 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 level at 31 December 2018:

(Eur million)	Note	Level 1	Level 2	Level 3	Total
Equity Investments held by Funds at Fair Value through P&L	2b	0.0	17.5	6.0	23.5
Equity Investments in other entities at Fair Value through P&L	2c	26.9	23.8	0.3	51.0
Funds at Fair Value through P&L	2d	3.9	149.7	0.0	153.6
Financial assets at fair value through OCI	4b	6.3	0.0	0.0	6.3
Total assets		**37.1**	**191.0**	**6.3**	**234.4**

For **level 3** the following table provides a reconciliation between the opening and closing balances, providing the changes in 2018 separately:

(Eur million)	Balance at 1.1.2018	Decreases	*Fair value on income statement*	Balance at 31.12.2018
Equity Investments held by Funds at Fair Value through P&L	34.5	(79.9)	51.4	6.0
Equity Investments in other entities at Fair Value through P&L	0.2	0.1	0.0	0.3
Participations at fair value through P&L	**34.7**	**(79.8)**	**51.4**	**6.3**

Valuation techniques and main unobservable input data

Equity investments held by Funds - measured at fair value through P&L

At 31 December 2018, the DeA Capital Group holds, through the IDeA OF I fund, minority shares of Iacobucci HF Electronics (EUR 6.0 million at 31 December 2018, unchanged compared to 31 December 2017) and Pegaso Transportation Investments (Talgo) (EUR 17.5 million at 31 December 2018, compared to EUR 14.1 million at 31 December 2017).

Equity investments held by Funds measured at fair value through P&L are valued as expressed in the Report on Operations of the fund at 31 December 2018.

The valuation of IDeA OF I assets as reflected in the Net Asset Value of the fund reported in the aforementioned Report on Operations, expressed according to the criteria defined by the Bank of Italy, takes into account, for all securities not listed on a regulated market, of the lower value between the investment (cost) and the fair value. This approach, which is potentially conservative in the perspective of those who assess these assetsindividually, instead gives a correct representation of the fair value from the point of view of the fund holder. Any trading of these shares is in fact based, in practice, on the NAV of the fund to which they refer, possibly corrected for a discount (much more rarely modified with a premium), and not on the sum of the fair value estimate of the individual assets that make it up. For this main reason, in view of DeA Capital, owner of an interest in the assets part of the IDeA OF I portfolio through the shares that it holds in the latter, it is considered appropriate to represent the value of said individual assets held by IDeA OF I as reported in the relevant Report on Operations.

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

At 31 December 2018, this item consisted mainly of:

- the shareholding in Kenan Investments (holder of a shareholding in Migros), which 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). This assessment is based *(i)* on the equity value of Migros, valued at the market price at 31 December 2018, *(ii)* on the updated figure for net debt at the various levels of the company's control structure (Kenan Investments and Moonlight Capital) and *(iii)* on the EUR/TRY exchange rate;
- the investment in Cellularline, which is recorded in the consolidated financial statements at 31 December 2018 for a value of EUR 7.5 million (EUR 8.2 million at 31 December 2017), valuation based on the market price at 31 December 2018 , since the company has shares traded on the Italian Stock Exchange as of 15 March 2017;
- the investment in IDeaMI, which is recorded in the consolidated financial statements at 31 December 2018 for a value of EUR 23.8 million (EUR 25 million at 31 December 2017), valuation based on the market price at 31 December 2018 , since the company has shares traded on AIM Italy as of 11 December 2017;

Funds measured at Fair Value through P&L (Venture Capital, Funds of Funds, Theme Funds and Real Estate Funds)

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

With regard to funds, at 31 December 2018, the DeA Capital Group held units in:

- IDeA FoF (EUR 33.1 million at 31 December 2018, compared to EUR 49.5 million at 31 December 2017);
- ICF II (EUR 31.3 million at 31 December 2018, compared to EUR 37.9 million at 31 December 2017);
- ICF III (EUR 10.4 million at 31 December 2018, compared to EUR 7.9 million at 31 December 2017);
- IDeA ToI (EUR 11.9 million at 31 December 2018, compared to EUR 20.7 million at 31 December 2017);
- IDeA CCR I (EUR 0.9 million at 31 December 2018, compared to EUR 1.6 million at 31 December 2017);
- IDeA CCR II (EUR 1.6 million at 31 December 2018, set up in 2018);
- IDeA Agro (substantially zero at 31 December 2018, as it was set up in 2018);
- Santa Palomba (EUR 0.5 million at 31 December 2018, compared to EUR 0.4 million at 31 December 2017);
- 6 venture capital funds (EUR 9.0 million at 31 December 2018, compared to EUR 8.6 million at 31 December 2017);
- 11 real estate funds held through DeA Capital Real Estate SGR (EUR 54.7 million at 31 December 2018, compared to EUR 43.2 million at 31 December 2017);
- funds held through DeA Capital Alternative Funds SGR (EUR 0.2 million at 31 December 2018, compared to zero at 31 December 2017).

For venture capital funds, the fair value of each fund is based on the last 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.

Statement of financial position

Non-current assets

1 - Intangible and tangible assets

1a - Goodwill

Changes in goodwill are shown in the table below:

(EUR thousand)	Balance at 1.1.2018	Adjustments / acquisitions	Impairment	Balance at 31.12.2018
Goodwill	**93,745**	**0**	**0**	**93,745**

The item, which totalled EUR 93,745 thousand at 31 December 2018 (unchanged compared to the balance at 31 December 2017), mainly relates to the acquisition of DeA Capital Alternative Funds SGR for EUR 31,324 thousand and the acquisition of IFIM/FIMIT SGR (now DeA Capital Real Estate SGR) for EUR 62,421 thousand.

The full goodwill method was used to record the minority interests of the companies acquired during 2011 (FIMIT SGR and IFIM). This requires minority interests to be recorded at fair value.

It is also noted that no impairment was necessary in 2018.

Impairment tests on goodwill

Pursuant to IAS 36, goodwill is not subject to amortisation, and is tested for impairment at least annually.

In order to carry out impairment testing on the goodwill of its Cash Generating Units (CGUs), the DeA Capital Group allocates the goodwill to the relevant CGUs, identified as DeA Capital Real Estate SGR (formerly IDeA FIMIT SGR, real estate fund management) and DeA Capital Alternative Funds SGR (formerly IDeA Capital Funds SGR, private equity fund management), which represent the minimum level of monitoring that the DeA Capital Group undertakes for management control purposes consistent with DeA Capital's strategic vision.

Impairment testing consists of comparing the recoverable amount of each CGU with the carrying amount of goodwill and other assets attributed to each CGU.

In the case of CGUs that are not wholly controlled, goodwill is reported on a notional basis. This also includes the portion of goodwill that relates to minority interests, using the grossing up method.

The carrying value of the CGU is calculated using the same criterion as that used to determine the recoverable value of the CGU.

The main assumptions used in the impairment test calculations, together with the results, are set out below.

Impairment testing was carried out on the **DeA Capital Alternative Funds SGR CGU**, with a carrying amount of EUR 43.3 million (of which EUR 31.3 for goodwill), using the sum of the parts model by determining the value in use, calculated as the sum of (i) the present value of dividend flows (DDM, or dividend discount model) expected from DeA Capital Alternative Funds SGR and (ii) the present value of the carried interest flows expected from funds managed by the company (DCF, or discounted cash flow methodology), both for the specific period covered by the forecasts (2019-2023) 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 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 (i) the period of the flows (2019-2023 or later) and (ii) the nature of these flows (dividends from the asset management company or carried interest from the managed funds), supplemented by a terminal value based on a growth assumption between 1.4% and 2.0%.

With reference to the CGU, the recoverable amount is higher than the carrying amount.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Alternative Funds SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -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)).

Similarly, impairment testing was carried out on the **DeA Capital Real Estate SGR** CGU, with a carrying amount of EUR 141.9 million (of which EUR 62.4 for goodwill), 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, 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%.

With reference to the CGU, the recoverable amount is higher than the carrying amount.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Real Estate SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -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)).

1b – 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	6,941	(5,861)	**1,080**	7,580	(6,294)	**1,286**
Software expenses	154	(151)	**3**	154	(152)	**2**
Development expenses	229	(228)	**1**	229	(229)	**0**
Other intangible assets	108,920	(86,516)	**22,404**	108,894	(89,159)	**19,735**
Total	**116,244**	**(92,756)**	**23,488**	**116,857**	**(95,834)**	**21,023**

(EUR thousand)	Balance at 1.1.2018	Acquisitions	Amort.	Write-downs	Decreases	Changes in consolidation area	Balance at 31.12.2018
Concessions, licences and trademarks	1,080	681	(475)	0	0	0	1,286
Software expenses	3	0	(1)	0	0	0	2
Development expenses	1	0	(1)	0	0	0	0
Other intangible assets	22,404	0	(1,169)	(1,500)	0	0	19,735
Total	**23,488**	**681**	**(1,646)**	**(1,500)**	**0**	**0**	**21,023**

Increases in the item Concessions, licences and trademarks refer to purchases of software usage licences.

Other intangible assets mainly refer to customer relationships and intangible assets related to variable fees, which derive from the allocation of the residual value of FIMIT SGR on the date of the merger (reverse) in FARE SGR (now DeA Capital Real Estate SGR). These intangible assets identified as customer relationships and intangible assets related to variable fees are valued at 31 December 2018 and respectively at EUR 634 thousand (EUR 1,798 thousand at 31 December 2017) and EUR 19,100 thousand (EUR 20,600 thousand at 31 December 2017). This value is based on the discounting of fixed management fees (for customer relationships) and variable fees calculated net of directly applicable costs on the basis of the most recent business plans of the funds under management.

A review of the funds' business plans that comprise intangible assets from final variable commission showed that flows of said commission were lower than previously expected; this meant that an impairment test of the value of the intangible assets had to be carried out.

The impairment test of these intangible assets, which had a carrying amount of EUR 20.6 million, was carried out, determining the value in use as the current value of the flows of variable commission expected from the company's managed funds (using DCF, or discounted cash flow methodology) with reference to the period by which they were expected to materialise (2019-2022).

These flows were determined based on a number of assumptions, including the expected return (IRR), prepared by DeA Capital Real Estate SGR for the managed funds.

The valuation, based on a cost of capital of +11.34%, resulted in a recoverable value of the relevant intangible assets of EUR 19.1 million, lower than the carrying amount of EUR 20.6 million, making it necessary, therefore, to record an impairment of EUR 1,500 thousand. Therefore, this impairment resulted in the carrying amount of intangible assets related to variable fees at EUR 19,100 thousand.

A sensitivity analysis conducted on the most significant variables in terms of sensitivity to the recoverable value of intangible assets from variable fees of DeA Capital Real Estate SGR, or the cost of capital, leads to potential changes in the carrying amount of EUR -0.3/+0.4 million (for changes of +0.5% and -0.5% of the cost of capital, respectively).

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

1c – Tangible assets

Changes in tangible 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
Leasehold improvements	3,563	(2,589)	**974**	3,540	(3,090)	**450**
Furniture and fixtures	1,748	(1,428)	**320**	1,712	(1,522)	**190**
Computer and office equipment	1,110	(951)	**159**	1,169	(976)	**193**
Company vehicles	193	(193)	**0**	0	0	**0**
Plant	17	(12)	**5**	10	(10)	**0**
Other assets	303	(303)	**0**	313	(292)	**21**
Total	**6,934**	**(5,476)**	**1,458**	**6,744**	**(5,890)**	**854**

(EUR thousand)	Balance at 1.1.2018	Acquisitions	Deprecetions	Reclassif.	Decreases	Change in consolidation area	Balance at 31.12.2018
Leasehold improvements	974	17	(541)	0	0	0	450
Furniture and fixtures	320	34	(153)	0	(4)	(7)	190
Computer and office equipment	159	104	(69)	5	(5)	(1)	193
Company vehicles	0	0	0	0	0	0	0
Plant	5	0	0	(5)	0	0	0
Other assets	0	21	0	0	0	0	21
Total	**1,458**	**176**	**(763)**	**0**	**(9)**	**(8)**	**854**

The item Leasehold improvements, totalling EUR 450 thousand, mainly relates to improvements made to the building at Via Brera 21 in Milan, which has been leased to the DeA Capital Group since 2013.

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

The depreciation rates used in 2018 were 20% for specific plant assets, 12% for furniture and furnishings, 20% for electronic office machines, 20% for company vehicles and 15% for leasehold improvements.

2 - Financial investments

Financial investments in companies and funds constitute the Group's typical activities. These investments rose from EUR 326,618 thousand at 31 December 2017 to EUR 248,943 thousand at end-2018.

2a – Investments in associates

This item, which totalled EUR 20,892 thousand at 31 December 2018 (EUR 29,293 thousand at 31 December 2017), relates to the assets below.

1. The units in the Venere fund are valued at EUR 5,651 thousand in the Consolidated Financial Statements at 31 December 2018 (EUR 7,184 thousand at 31 December 2017).
   The change compared to 31 December 2017 is related to the pro-quota of the distribution net of capital calls for a total of EUR -1,638 thousand, as well as to the pro-quota of the net result for the period for a total of EUR +97 thousand.

2. Shareholding in YARD (formerly Innovation Real Estate - IRE) valued at EUR 5,937 thousand in the Consolidated Financial Statements at 31 December 2018 (EUR 5,625 thousand at 31 December 2017).
   The change compared to 31 December 2017 is related to the pro-quota of the dividend distributed for a total of EUR -183 thousand, as well as to the pro-quota of the net result for the period for a total of EUR +653 thousand and to the reversal of 45% of the gain realised by DeA Partecipazioni for the sale of SPC to YARD (not carried out by the Group) for a total of EUR -156 thousand.

3. The units in the IDeA EESS fund are valued at EUR 9,304 thousand in the Consolidated Financial Statements at 31 December 2018 (EUR 16,484 thousand at 31 December 2017).
   The change compared to 31 December 2017 is related to the pro-quota of the distribution net of capital calls for a total of EUR -6,372 thousand, as well as to the pro-quota of the net result for the period for a total of EUR -808 thousand.

The table below provides details of the investments held in associates at
31 December 2018 by sector of activity:

(EUR million)	Private Equity Investment	Alternative Asset Management	Total
IDeA EESS fund	9.3	0.0	9.3
Venere fund	1.9	3.8	5.7
IRE group	0.0	5.9	5.9
Total	**11.2**	**9.7**	**20.9**

The table below summarises details of the financial information of YARD (formerly Innovation Real Estate - IRE), of the IDeA EESS fund and the Venere fund, based on the latest reporting package available and prepared in accordance with the accounting standards used by the DeA Capital Group:

	YARD Group	IDeA EESS	Venere
(EUR thousand)	'First nine month of 2018	Financial Year 2018	Financial Year 2018
Revenues	16,579	0	2,354
Net profit /(loss) for the period	1,451	(2,659)	354
Other profit /(loss), net of tax effect	0	0	0
Total comprehensive profit/(loss) for the period	**1,451**	**(2,659)**	**354**
Total comprehensive profit/(loss) for the period attributable to minorities	***798***	***(1,851)***	***257***
Total comprehensive profit/(loss) for the period attributable to Group	***653***	***(808)***	***97***

(EUR thousand)	30.9.2018	31.12.2018	31.12.2018
Current assets	29,275	8,080	6,625
Non-current assets	9,941	22,586	14,808
Current liabilities	(20,240)	(60)	(711)
Non-current liabilities	(8,511)	0	0
Net assets	**10,465**	**30,606**	**20,722**
Net assets attributable to minorities	***5,756***	***21,302***	***15,071***
Net assets attributable to the Group	***4,709***	***9,304***	***5,651***

(EUR thousand)	30.9.2018	31.12.2018	31.12.2018
Net initial assets attributable to the Group	4,241	16,484	7,184
Total comprehensive income /(loss) for the period attributable to the Group	653	(808)	97
Capital calls / (Distributions)	0	(6,372)	(1,638)
Dividends received during the period	(183)	0	0
Other	(2)	0	8
Net final assets attributable to the Group	*4,709*	*9,304*	*5,651*
Goodwill	1,384	0	0
Cancellation of 45% gain realised by DeA Partecipazioni on the sale of SPC to Yard (not realized by the Group)	(156)	0	0
Book value of associate company	**5,937**	**9,304**	**5,651**
Dividends paid to minorities during the period	**(224)**	**0**	**0**

2b - Equity investments held by funds at fair value through P&L

At 31 December 2018, the DeA Capital Group holds, through the IDeA OF I fund, minority interests in Iacobucci HF Electronics and Pegaso Transportation Investments (Talgo).

This item, which totalled EUR 23,511 thousand at 31 December 2018 (EUR 48,583 thousand at 31 December 2017), relates to the assets below.

(Eur million)	31.12.2018	31.12.2017
Equity Investments in Portfolio		
Giochi Preziosi	0.0	5.2
Elemaster	0.0	8.5
Iacobucci HF Electronics	6.0	6.0
Pegaso Transportation Investments (Talgo)	17.5	14.1
Corin Orthopaedics Holdings Limited	0.0	14.8
Equity Investments at Fair Value through P&L	**23.5**	**48.6**
Total Equity Investments in Portfolio	**23.5**	**48.6**

LThe change compared to the balance at 31 December 2017 mainly reflects:

- the sale, in July 2018, of the investment in Corin Orthopaedics Holding Limited, for a total amount of EUR 66.2 million (compared to an recognition value at 31 December 2017 of EUR 14.8 million), with the recognition in the income statement for the period of a gain realised totalling EUR 51.4 million;
- the sale, on 21 March, of Elemaster, for an amount substantially in line with the carrying amount (recorded at 31 December 2017 for EUR 8.5 million);
- the agreement finalised in June 2018 relating to the exit of IDeA Opportunity Fund I from Giochi Preziosi. This settlement agreement provided for:
  - the sale by the same fund of the convertible bond in place for a EUR 9.5 million (compared to a recognition value at 31 December 2017 of EUR 5.2 million), of which EUR 6.0 million collected in cash and EUR 3.5 million collected in December 2018);
  - the revision of items for additional receivables due from Giochi Preziosi (up to EUR 0.5 million, recorded at 31 December 2018 under item 4f - Other receivables, compared to a value at 31 December 2017 of EUR 1.7 million recorded under item 3d - Other non-current assets).

2c - Equity investments in other companies measured at fair value through P&LL

At 31 December 2018, the DeA Capital Group is a shareholder - with minority interests - of Kenan Investments (holder of a shareholding in Migros), Cellularline and IDeaMI, as well as other minor shareholdings.

At 31 December 2018, the item totalled EUR 50,953 thousand compared with EUR 78,953 thousand at 31 December 2017.

The table below provides details of equity investments in other companies at 31 December 2018 by area of activity.

(Eur million)	Private Equity Investment	Alternative Asset Management	Total
Kenan Investments	19.4	0.0	19.4
Cellularline	7.5	0.0	7.5
IDeaMI	23.8	0.0	23.8
Minority interests	0.3	0.0	0.3
Total	**51.0**	0.0	**51.0**

The stake in **Kenan Investments** (indirectly corresponding to approximately 4% of Migros' capital, i.e. 23.2% of Migros' capital via the Group's investment in Kenan Investments) is recorded in the Consolidated Financial Statements at 31 December 2018 at EUR 19,366 thousand (EUR 45,575 thousand at 31 December 2017).

The change compared to 31 December 2017 is mainly attributable to the fair value adjustment (EUR -25,166 thousand), 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).

The investment in **Cellularline** is recorded in the consolidated financial statements at 31 December 2018 for a value of EUR 7,514 thousand (EUR 8,160 thousand at 31 December 2017), which reflects a change in fair value in the year EUR -1,445 thousand and the purchase of shares of Cellularline S.p.A., a company formed by the business combination between Crescita S.p.A. and the companies of the Cellular Group, for EUR +799 thousand.
The shares held at the end of 2018 by the DeA Capital Group represent 4.25% of the entire share capital of the new company Cellularline S.p.A. established in January 2018.

The investment in **IDeaMI** is recorded in the consolidated financial statements at 31 December 2018 for a value of EUR 23,820 thousand (EUR 24,979 thousand at 31 December 2017), with a change in fair value in the year of EUR -1,159 thousand.
It is recalled that the investment in **IDeaMI**, SPAC, with ordinary shares and warrants traded on AIM Italia starting from 11 December 2017, was finalised by DeA Capital as part of the private placement prior to admission to trading on AIM Italia. In particular, as part of this placement, Banca IMI and DeA Capital subscribed, in equal parts, ordinary shares for a total amount of EUR 41.25 million, corresponding to 4,125,000 IDeaMI ordinary shares, equal to 16.50% of funding; Banca IMI and DeA Capital also hold, in equal parts, 875,000 special shares for a total amount of EUR 8.75 million, equivalent to 3.5% of funding.

The value of minor equity investments mainly relates to a minority shareholding in Harvip.
The DeA Capital Group is also a shareholder in 2 companies – Elixir Pharmaceuticals Inc. and Kovio Inc. – which are not included in the investment portfolio as they are either dormant or in liquidation, and have zero value.

Company	Registered office	Business sector	% holding
Elixir Pharmaceuticals Inc.	USA	Biotech	1.30
Harvip Investimenti S.p.A.	Italy	Distressed real estate and other investments	19.18
Kovio Inc.	USA	Printed circuitry	0.42

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

This item substantially refers to investments in units of 3 funds of funds (IDeA I FoF, ICF II and ICF III with three sub-funds), 4 theme funds (IDeA ToI, IDeA Agro, IDeA CCR I and IDeA CCR II, the latter with 2 sub-funds), 6 venture capital funds and 11 real estate funds, totalling EUR 153,551 thousand in the financial statements at 31 December 2018, compared with EUR 169,776 thousand at end-2017.

The table below shows changes to the funds during 2018.

(EUR thousand)	Balance at 1.1.2018	Increases (Capital call)	Decreases (Capital distribution)	*Fair value* adjustment	Translation effect	Balance at 31.12.2018
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	7,942	1,342	0	1,109	0	10,393
IDeA ToI	20,658	3,823	(12,036)	(567)	0	11,878
IDeA CCR I	1,582	83	(706)	(33)	0	925
IDeA CCR II	0	1,733	0	(122)	0	1,611
IDeA Agro	0	33	0	(16)	0	16
Santa Palomba	426	0	0	15	0	441
DeA Capital Real Estate SGR funds	43,161	18,500	(2,492)	(4,516)	0	54,654
DeA Capital Alternative Funds SGR funds	0	223	(5)	11	0	229
Total funds	**169,776**	**26,582**	**(49,150)**	**6,235**	**109**	**153,551**

In particular, the following are noted:

- the subscription in July 2018 of shares in the closed-end Tessalo real estate fund (with a portfolio comprising six healthcare facilities, including clinics, nursing homes, hospitals, research centers and analysis laboratories) for EUR 18,500 thousand;
- the distributions made in 2018 by the IDeA I FoF and ICF II funds, in the disinvestment phase, respectively for EUR 19,776 thousand and EUR 11,640 thousand;
- distributions made in 2018 by IDeA ToI for EUR 12,036 thousand.

The IDeA Agro fund, subscribed in July 2018 by DeA Capital S.p.A., with EUR 80 million, is destined to the acquisition and valorisation of agricultural companies operating in an eco-sustainable manner in the Italian territory. As part of the aforementioned closing, DeA Capital S.p.A. has subscribed a commitment of EUR 2.1 million.

The table below provides a breakdown of the funds in the portfolio at 31 December 2018 by area of activity:

(Eur million)	Private Equity Investment	Alternative Asset Management	Total
Venture capital funds	9.0	0.0	9.0
IDeA I FoF	33.1	0.0	33.1
ICF II	31.3	0.0	31.3
ICF III	10.4	0.0	10.4
IDeA ToI	11.9	0.0	11.9
IDeA CCR I	0.9	0.0	0.9
IDeA CCR II	1.6	0.0	1.6
IDeA Agro	0.0	0.0	0.0
Santa Palomba	0.5	0.0	0.5
DeA Capital Real Estate SGR funds	0.0	54.7	54.7
DeA Capital Alternative Funds SGR funds	0.0	0.2	0.2
Total funds	**98.7**	**54.9**	**153.6**

The financial assets relating to units of funds managed by DeA Capital Real Estate SGR are considered long-term investments. These financial assets include:

- mandatory investments (as stipulated by the Bank of Italy Regulation of 19 January 2015 and subsequent amendments) in managed funds that are not reserved for qualified investors. However, they were not classified as held-to-maturity assets since they are variable-rate financial instruments;
- optional investments in managed funds that may or may not be reserved for qualified investors.

3 - Other non-current assets

3a - Deferred tax assets and deferred tax liabilities

The balance on the item Deferred tax assets totalled EUR 2,183 thousand (EUR 2,173 thousand at 31 December 2017) and comprises the value of deferred tax assets minus deferred tax liabilities, where they may be offset.

The balance of deferred taxes is equal to EUR -6,018 thousand at 31 December 2018, compared to EUR -8,049 thousand at 31 December 2017, or EUR -8,190 thousand, taking into account the change of EUR -141 thousand related to the application, as from 1 January 2018, of IFRS 15.

This item includes deferred tax liabilities relating to DeA Capital Real Estate SGR for EUR -5,648 thousand (EUR -7,842 thousand at 31 December 2017), made up entirely of the balancing entry relating to deferred taxation of intangible assets from variable fees recorded as assets. This item decreased compared to the balance at 31 December 2017 (EUR -6,092 thousand), due to the release of EUR 444 thousand to the income statement, mainly due to the write-down of intangible assets from final variable commission of EUR 1,500 thousand.
As required by IFRS 3 (Business Combinations), the company recorded a deferred tax liability for the assets identified at the date of acquisition.

The changes to deferred tax assets and liabilities during the year, broken down by type, are analysed below.

(EUR thousand)	Balance at 1.1.2017	Restatement IFRS 15	Balance at 1.1.2018	Recognised in income statement	Recognised in equity	Compensation/ other movements	Balance at 1.1.2018
Deferred tax assets for:							
- personnel costs	655	0	655	96	58	19	828
- other	1,518		1,518	(213)	30	20	1,355
Total deferred tax assets	**2,173**	**0**	**2,173**	**(117)**	**88**	**39**	**2,183**
Deferred tax liabilities for:	*0*		*0*				
- financial activies at fair value/other	(1,977)		(1,977)	2,066	1	(297)	(207)
- end-of-service payment fund - Discounting effect	20		20	31	(21)	(20)	10
- intangible assets/other	(6,092)		(6,092)	444	0	0	(5,648)
- Placement fees	0	(141)	(141)			(32)	(173)
Total deferred tax liabilities	**(8,049)**	**(141)**	**(8,190)**	**2,541**	**(20)**	**(349)**	**(6,018)**
Total deferred tax assets	**2,173**		**2,173**				**2,183**
Total deferred tax liabilities	**(8,049)**		**(8,190)**				**(6,018)**

Deferred taxes were calculated using the liability method based on the temporary differences at the reporting date between the tax amounts used as a reference for the assets and liabilities and the amounts reported in the financial statements.

It is noted that, in the calculation of the taxes for 2018 of the Parent Company DeA Capital S.p.A., all the tax losses reported by this company from the previous year were used (equal to about EUR 108.1 million usable in full and around EUR 0.9 million usable to a limited extent). 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).

3b – Loans and receivables

The item at 31 December 2018 is equal to EUR 752 thousand (compared to EUR 684 thousand at 31 December 2017) mainly refers to the receivable (long-term portion) from the associate YARD following the sale to it of the portion equal to 100% of SPC, held by DeA Capital Partecipazioni S.p.A.

3c - Receivables for deferral of placement fees

At 31 December 2018, the item amounted to EUR 482 thousand. The amount is entirely attributable to the restatement in light of the application of the new accounting standard IFRS 15 starting from 1 January 2018, which led to the change in the accounting of the placement fees of the IDeA Taste of Italy fund by the subsidiary DeA Capital Alternative Funds SGR. The disbursement incurred at the time of the various closings of the fund, immediately fully recognised in the income statement with the previous accounting approach, must instead be distributed on a straight-line basis over the lifetime of ToI according to IFRS 15. The change in approach has therefore led to the discounting of the relevant cost portion of the residual life of the fund, creating the credit item in question, which will then be gradually released to the income statement in the years up to the expected maturity of Taste of Italy.

3d - Other non-current assets

The item, amounting to EUR 4,668 thousand at 31 December 2018 (EUR 5,403 thousand at 31 December 2017) refers for EUR 3,700 thousand to the receivable of the IDeA OF I fund for the sale of 1% of Manutencoop (EUR 3,788 thousand at 31 December 2017).

4 – Current assets

At 31 December 2018, current assets totalled EUR 185,446 thousand compared with EUR 178,161 thousand at 31 December 2017; the item in question mainly consists of:

4a – Trade receivables

Trade receivables amounted to EUR 14,678 thousand at 31 December 2018 compared to EUR 16,069 thousand at 31 December 2017.
The balance mainly refers to the receivables of DeA Capital Real Estate SGR, amounting to EUR 9,128 thousand (EUR 12,182 thousand at 31 December 2017), essentially relating to receivables from the funds managed for fees accrued, but not yet collected.

The table below shows the maturities of outstanding trade receivables of the DeA Capital Group at 31 December 2018:

		expired				
(EUR thousand)	**Not expired**	**less than 90 days**	**Between 90 days and 180 days**	**Between 180 days and 360 days**	**More than 360 days**	**Total**
2018	9,024	1,070	1,378	1,013	2,193	**14,678**
	62%	7%	9%	7%	15%	**100%**

For Transactions with Related Parties, reference is made to the specific section of the Financial Statements (Transactions with Parent Companies, Subsidiaries and Related Parties).

4b - Financial assets measured at fair value

At 31 December 2018, this item totalled EUR 6,316 thousand, compared with EUR 4,385 thousand at 31 December 2017, and relates to the portfolio of government securities and corporate bonds held by DeA Capital Alternative Funds SGR.

4c - Financial receivables

The item, equal to EUR 500 thousand at 31 December 2018 (EUR 578 thousand at 31 December 2017) entirely refers to the receivable (short-term portion) from the associate YARD following the sale to it of the portion equal to 100% of SPC, held by DeA Capital Partecipazioni S.p.A. The receivable was fully collected in January 2019.

The balance of the item Financial receivables at 31 December 2017 referred to the receivable from the acquiring parties of the majority stake in YARD (formerly IRE) for the long-term deferred price component, collected in April 2018.

4d – Tax receivables relating to the tax consolidation scheme entered into by the parent companies

This item totalled EUR 374 thousand at 31 December 2018 (EUR 1,055 thousand at 31 December 2017) and relates to the receivable from the Parent Company De Agostini S.p.A. for the participation of DeA Capital S.p.A., DeA Capital Alternative Funds SGR and DeA Capital Partecipazioni S.p.A. in the tax consolidation scheme.

DeA Capital S.p.A., DeA Capital Alternative Funds SGR, 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 is irrevocable for DeA Capital S.p.A. for the three-year period 2017-2019, for DeA Capital Alternative Funds SGR for the three-year period 2018-2020 and for DeA Capital Partecipazioni for the three-year period 2016-2018.

4e - Other receivables from the tax authorities

At 31 December 2018, this item totalled EUR 15,760 thousand, compared with EUR 11,272 thousand at 31 December 2017. It mainly includes:

- the VAT receivable of DeA Capital Real Estate SGR of EUR 10,920 thousand (EUR 9,347 thousand at 31 December 2017), comprising the positive balance from the transfer of monthly VAT payables and receivables by the managed funds;
- the receivable for withholding tax of DeA Capital S.p.A. of EUR 3,092 thousand relating to the capital gain deriving from the distribution of the IDeA I FoF fund (zero at 31 December 2017);
- the IRAP receivable of DeA Capital Alternative Funds SGR for EUR 466 thousand (EUR 632 thousand at 31 December 2017), which refers to the advances paid during the year.

4f - Other receivables

The item, amounting to EUR 4,051 thousand at 31 December 2018 , compared to EUR 16,886 thousand at 31 December 2017, mainly includes receivables relating to the management of VAT positions with funds managed by DeA Capital Real Estate SGR, as well as receivables for security deposits, advances to suppliers, deferred assets and other receivables. The change compared to the figure at 31 December 2017 mainly refers to the collection of the receivable from the Beta Immobiliare fund concerning the final variable fee for EUR 13,440 thousand.

Other receivables fall due within the next year.

4g – Cash and cash equivalents

This item comprises bank deposits and cash including interest accrued to 31 December 2018. This item amounted to EUR 143,767 thousand at 31 December 2018, compared with EUR 127,916 thousand at 31 December 2017. It is noted that the cash and cash equivalents at the end of 2017 included EUR 4,479 thousand in restricted cash (zero at 31 December 2018) relating to withholdings by DeA Capital Alternative Funds SGR as substitute tax to the IDeA I FoF fund holders.

Please see the consolidated cash flow statement for further information on changes to this item.

Cash deposited at banks accrues interest at floating rates, based on the prevailing overnight, 1-2-week and 1-3-month interest rates.

5 - Shareholders' equity

At 31 December 2018, Group equity is equal to EUR 466,481 thousand at 31 December 2018, compared to EUR 489,431 thousand at 31 December 2017, or EUR 489,877 thousand, taking into account the increase of EUR 446 thousand related to the application, as from 1 January 2018, of IFRS 15.

The decrease of EUR -23,396 thousand in Group shareholders' equity in 2018 (EUR -23,396 thousand compared to 1 January 2018) was mainly due to the extraordinary dividend paid (EUR -30,450 thousand) to the result for the period highlighted in the Statement of Performance - IAS 1 (EUR +10,881 thousand) and the impact of the plan to purchase treasury shares (EUR -3,186 thousand). The change also reflects the effect deriving from the acquisition of minority shares of subsidiaries, in particular relating to the purchase by the DeA Capital Group of the shares previously held by INPS and other minority shareholders in DeA Capital Real Estate SGR, as well as the minority share of SPC (shareholding subsequently sold entirely to the YARD Group).

The main changes in shareholders' equity are described in more detail in the relevant table of changes included in the Consolidated Financial Statements.

5a - Share capital

The share capital, fully subscribed and paid up, is equal to EUR 306,612,100, represented by shares with a nominal value of EUR 1 each, for a total of 306,612,100 shares (of which 52,858,542 treasury shares in portfolio at 31 December 2018, whose nominal value together with the relative share premium is used to decrease the equity in the Treasury Share Reserve).

5b - 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 at 31 December 2018, following the use for distribution of dividends (EUR -30,450 thousand).

5c - Legal reserve
This reserve, unchanged compared to 31 December 2017, amounted to EUR 61,322 thousand at 31 December 2018.

5d - Treasury shares reserve
It is noted that in 2018, a specific item was created in order to reflect the portion of share capital and share premium on the treasury shares in portfolio, restating also 31 December 2017 in order to make it comparable, as further described in the section Structure and Content of the Consolidated Financial Statements..

This item changed by EUR -2,740 thousand, from EUR -80,026 thousand at 31 December 2017 (reclassified to make it homogeneous to the figure at 31 December 2018) to EUR -82,766 thousand at 31 December 2018, after the purchase of treasury shares (EUR -3,186 thousand) and the exercise of stock options and performance shares by the Company's management (EUR +446 thousand).

5e - Other reserves
Other Reserves at 31 December 2018 amounted to EUR -18,555 thousand (EUR -18,048 thousand at 31 December 2017 - reclassified in order to make it homogeneous with the figure at 31 December 2018, as further described in the section Structure and Content of Consolidated Financial Statements - or EUR -17,602 thousand, taking into account the increase of EUR 446 thousand related respectively to the application, starting from 1 January 2018, of the accounting standards IFRS 9 and IFRS 15) and consist of:

- the reserve for stock option costs of EUR +2,219 thousand (EUR +1,689 thousand at 31 December 2017);
- a reserve for the sale of option rights, unchanged from 31 December 2017, totalling EUR +413 thousand. This originated from the sale of the remaining option rights to subscribe to a capital increase that had not been exercised by the shareholders, and were sold by the Company;
- other reserves that are negative at EUR -9,247 thousand, unchanged compared to 31 December 2017, relating to the associate Santé, chiefly for the pro-quota reclassification of the minority interests in Santé connected with the 2008-2009 extraordinary dividend distribution by Générale de Santé, and changes in 2010-2012;
- the reserve relating to the issue costs of the shares equal to EUR -7,828 thousand (unchanged compared to the figure at 31 December 2017, reclassified in order to make it homogeneous with the figure at 31 December 2018, as further described in the section Structure and Content of the Consolidated Financial Statements);
- other reserve equal to EUR -4,112 thousand (EUR -2,629 thousand at 31 December 2017, reclassified in order to make it homogeneous with the figure at 31 December 2018, as further described in the section Structure and Content of the Consolidated Financial Statements).

5f - Profits of previous years carried forward
At 31 December 2018, the item amounted to EUR -51,882 thousand, compared to EUR -117,095 thousand at 31 December 2017, or EUR -40,080 thousand, taking into account the reclassification of the fair value reserve of EUR 77,015 thousand.

The negative change totalling EUR -11,802 thousand (compared to the figure at 1 January 2018) mainly refers to the allocation of the result for 2017 (EUR -11,652 thousand).

5g - Profit (loss) for the year
The profit for the year of EUR +11,070 thousand is the consolidated result attributable to the Group for 2018 (EUR -11,652 thousand at 31 December 2017).

5h - Minority interests

This item, which totalled EUR 39,299 thousand at 31 December 2018 (EUR 95,182 thousand at 31 December 2017) relates to the minority interest in shareholders' equity resulting from the line-by-line consolidation of DeA Capital Real Estate SGR, the IDeA OF I fund and DeA Capital Real Estate France, incorporated in 2018.

The negative change totalling EUR -55,883 thousand compared to the balance at 31 December 2017 mainly refers to:

- the acquisition by the DeA Capital Group of the shares previously held by INPS and other minority shareholders in DeA Capital Real Estate SGR, as well as the minority share of SPC, for a total of EUR -41,791 thousand;
- the distributions (net of capital calls) of the IDeA OF I fund for EUR -41,743 thousand;
- as recorded in the Statement of Performance for a total of EUR +30,270 thousand;
- to dividends distributed by DeA Capital Real Estate SGR, in the amount of EUR -2,648 thousand.

The table below summarises details of the financial information of DeA Capital Real Estate SGR and IDeA OF I, before elimination of the intercompany relationships with the Group's other companies, as at 31 December 2018:

(EUR thousand)	**DeA Capital Real Estate SGR**	**IDeA OF I fund**
Management fees from Alternative Asset Managements	39,768	0
Net profit /(loss) for the period	2,579	56,906
of which attributable to minorities	**203**	**30,166**
Profit /(loss), net of tax effect	(96)	0
Total comprehensive income /(loss) for the period	***2,483***	***56,906***
Total comprehensive income /(loss) for the period attributable to minorities	**195**	**30,166**

(EUR thousand)	**31.12.2018**	**31.12.2018**
Current assets	52,848	5,154
Non-current assets	144,313	27,211
Current liabilities	(25,337)	(48)
Non-current liabilities	(8,483)	0
Net assets	**163,341**	**32,317**
Net assets attributable to minorities	**22,362**	**17,131**

(EUR thousand)	**31.12.2018**	**31.12.2018**
Cash flow from operation actitivies	8,829	45,661
Cash flow from investment activities	(237)	0
Cash flow from financial activities	(2,648)	(41,156)
Net increases in cash and cash equivalents	***5,944***	***4,505***
Dividends / reimbursements paid to minorities during the period	***(2,648)***	***(42,410)***

It is noted that, in summary form, the financial information of DeA Capital Real Estate France, before the elimination of intercompany relations with the other companies of the Group at 31 December 2018, are not reported here as the company was incorporated in September 2018, in the start-up phase.

6 - Non-current liabilities

At 31 December 2018, Non-Current Liabilities totalled EUR 14,414 thousand (EUR 12,334 thousand at 31 December 2017, or EUR 12,475 thousand, taking into account the effects of the application, starting from 1 January 2018, of accounting standard IFRS 15); this item mainly consists of:

6a - Payables to suppliers

At 31 December 2018, the item totalled EUR 900 thousand (zero at 31 December 2017) and refers to the long-term payable for quality signalling related to the launch of the Agro Fund.

6b - Deferred tax liabilities

At 31 December 2018, the item totalled EUR 6,018 thousand (EUR 8,049 thousand at 31 December 2017 or EUR 8,190 million, taking into account the effects of the application, starting 1 January 2018, of IFRS 15).

For further details, refer to Note 3a - Deferred tax assets and deferred tax liabilities.

6c - End-of-service payment fund

This item totalled EUR 4,637 thousand at 31 December 2018 (EUR 4,204 thousand at 31 December 2017).

The end-of-service payment fund (TFR) is a defined benefit plan, and as such was measured using actuarial methodology. This resulted in a liability calculated in demographic and financial terms on amounts owed to workers according to the number of years worked. The total present value of the liability is proportioned to the period of employment already completed at the calculation date, taking account of future salary increases and the employee's projected length of service.

Future TFR flows were discounted to the reporting date, using independent actuaries, based on the projected unit credit method. The valuation assumptions use an annual average discount rate that takes the iBoxx Eurozone Corporates AA 10+ index as a benchmark, maintaining this parameter constant compared with previous valuations.

Changes in TFR in 2018 are shown in the table below.

(EUR thousand)	Balance at 1.1.2018	Accrued portion	Payments	Change in consolidation area	Balance at 31.12.2018
Movement in provision	**4,204**	**886**	**(294)**	**(159)**	**4,637**

The amounts recognised in the item were calculated as follows:

(EUR thousand)	31.12.2018	31.12.2017
Nominal value of provision	4,137	3,720
Discounting effect	500	484
Total provision (Present Value)	**4,637**	**4,204**

6d - Financial liabilities

At 31 December 2018, the item amounted to a total of EUR 2,859 thousand (zero at 31 December 2017) and refers to the variable price (earn-out) component relating to the purchase by the DeA Capital Group of the shares previously held by INPS in DeA Capital Real Estate SGR.

7 - Current liabilities

At 31 December, current liabilities totalled EUR 37,902 thousand (EUR 34,783 thousand at 31 December 2017); the item in question mainly consists of:

7a - Payables to suppliers

Payables to suppliers amounted to EUR 5,535 thousand at 31 December 2018, compared with EUR 6,594 thousand at 31 December 2017.

For Transactions with Related Parties, reference is made to the specific section of the Financial Statements (Transactions with Parent Companies, Subsidiaries and Related Parties).

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

7b - Payables to staff and social security organisations

Payables to staff and social security organisations amounted to EUR 9,122 thousand at 31 December 2018, compared with EUR 8,330 thousand at 31 December 2017 and mainly refer to:

- payables to social security organisations for EUR 1,408 thousand (EUR 1,210 thousand at 31 December 2017), paid after the close of 2018, with the exception of payables for social security liabilities calculated on accrued bonuses;
- payables to employees and directors for EUR 7,199 thousand (EUR 6,649 thousand at 31 December 2017) for holidays not taken and accrued bonuses;
- payables related to social security contributions on salaries and holidays for EUR 515 thousand (EUR 471 thousand at 31 December 2017).

7c - Current tax payables

Current tax payables amounted to EUR 5,846 thousand at 31 December 2018, compared to EUR 1,998 thousand at 31 December 2017, and are mainly attributable to the payable to the parent company De Agostini S.p.A. for adhesion to the Tax Consolidation by DeA Capital S.p.A. (EUR 1,132 thousand at 31 December 2018 compared to zero at 31 December 2017) and DeA Capital Alternative Funds SGR (EUR 2,365 thousand at 31 December 2018 compared with EUR 1,131 thousand at 31 December 2017).
The item also includes payables to the tax authorities for current taxes of DeA Capital Real Estate SGR, not falling within the scope of the Tax Consolidation.

7d - Other payables to tax authorities

Other payables to tax authorities at 31 December 2018 amounted to EUR 1,256 thousand, compared to EUR 5,564 thousand at 31 December 2017, and refer mainly to payables to the tax authorities for withholding taxes on income from employment and self-employment paid within the deadline after the close of 2018 for a total of EUR 1,161 thousand (EUR 947 thousand at 31 December 2017).
The balance at 31 December 2017 included EUR 4,479 thousand relating to the payable to the Investitori Associati IV Fund for taxes withheld by DeA Capital Alternative Funds SGR as substitute tax (zero at 31 December 2018).

7e - Other payables

Other payables at 31 December 2018 amounted to EUR 15,939 thousand, compared with EUR 12,097 thousand at 31 December 2017, and refer to DeA Capital Real Estate SGR for EUR 15,883 thousand (EUR 11,733 thousand at 31 December 2017) and in particular, payables relating to the management of VAT positions towards the funds managed by the Management Company for EUR 12,738 thousand (EUR 10,675 thousand at 31 December 2017).

7f - Short-term financial

At 31 December 2018, short-term financial payables amounted to EUR 204 thousand, compared with EUR 200 thousand at 31 December 2017, and refer for EUR 200 thousand (amount unchanged compared to 31 December 2017) to the additional earn-out related to the purchase of the Duemme business unit by DeA Capital Real Estate SGR.

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 approved the appeals regarding the alleged under-reporting of revenues for the years 2009/2010 in full and the appeal regarding the spin-off costs in part.

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.

Income statement

8 - Alternative asset management fees

Alternative asset management fees in 2018 were EUR 62,422 thousand compared with EUR 57,944 thousand in 2017 and refer to:

a) **establishment/subscription fees of a fund:** are the fees received as remuneration for the set-up of a fund;

b) **management fees:** are the fees that the Company receives as remuneration for its activities of fund management. These fees mainly relate to management fees paid to DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR with reference to the funds they manage;

c) **performance fees:** are the fees received when certain performance parameters are reached by the funds managed. Those recorded in 2018, amounting to EUR 3,500 thousand, are the main driver of the deviation from the total AAM fees recorded in 2017.

Below is the breakdown of fees from Alternative Asset Management by company:

(EUR thousand)	2018	2017
DeA Capital Alternative Funds SGR *	22.6	16.5
DeA Capital Real Estate SGR	39.8	41.4
Total management fees from Alternative Asset Management	**62.4**	**57.9**

(*) Net of intercompany management fees to IDeA OF I, which is consolidated on a line-by-line basis.

9 - Income from investments valued at equity

This item includes income from the associates valued at equity for the period.

The item, equal to EUR -59 thousand in 2018, compared to EUR +3,898 thousand in 2017, is attributable to the pro-quota of the result of investments in:

- Venere (EUR +97 thousand in 2018 compared to EUR -185 thousand in 2017);
- IDeA EESS (EUR -808 thousand in 2018 compared to EUR +3,137 thousand in 2017);
- YARD (formerly Innovation Real Estate - IRE) (EUR +653 thousand in 2018 compared to EUR +946 thousand in 2017).

10 - Other investment income and expenses

Other net income and expenses from investments (in equity investments and funds) were positive for EUR 37,848 thousand, compared to EUR 8,633 thousand in 2017.

The item mainly includes:

- the gain deriving from the sale, completed in July 2018, of the investment in Corin Orthopaedics Holding Limited, for a total of EUR 51,362 thousand;
- the write-down of the investment in Kenan Inv. / Migros for a total of EUR -25,166 thousand, attributable to the decrease in fair value, due to the combined effect of the decrease in the price per share (TRY 14.90 per share at 31 December 2018, versus TRY 27.56 per share at 31 December 2017) and the devaluation of the Turkish lira against the Euro (6.06 EUR/TRY at 31 December 2018, versus 4.55 EUR/TRY at 31 December 2017);
- the gain of EUR +4,317 thousand deriving from the settlement agreement relating to the bond claimed by IDeA Opportunity Fund I against Giochi Preziosi.

The breakdown of other investment income and expenses in 2018 and the related comparison in 2017 is shown below:

(EUR thousand)	2018	2017
Net valuation (at fair value) / gains from Venture Capital funds	2,757	228
Income from valuation of Private Equity funds	7,981	0
Income from valuation of Talgo	3,411	0
Income from valuation of Real Estate funds	2,586	0
Capital gain from sale of Corin	51,362	0
Capital gain from sale of Giochi Preziosi	4,317	0
Capital gain from sale of SPC	191	0
Capital gain from partial sale of Kenan / Migros	0	4,495
Capital gain from liquidation of Santè	0	629
Other gains from Real Estate funds	16	2,133
Capital gain from sale of Lauro Cinquantasette	0	1,286
Dividends from Manutencoop	0	1,185
Other gains	0	13
Gain from investments	**72,621**	**9,969**
Loss from valuation of Venture Capital funds	0	60
Loss from valuation of Migros	25,166	0
Loss from valuation of Cellularline	1,445	0
Loss from valuation of IDeAMI	1,159	0
Loss from valuation of Real Estate funds	7,003	428
Loss from valuation of Talgo	0	802
Other charges	0	46
Charge from investments	**34,773**	**1,336**
Total	**37,848**	**8,633**

It is recalled that the item Other income / expenses from Investments in 2018 reflects the accounting treatment required by IFRS 9, which provides for the recording in the income statement of changes in the fair value of financial investments that in 2017 were instead recorded in Comprehensive Income directly in equity.

Fair value adjustments

The fair value measurement of investments in funds and shareholdings at 31 December 2018 and 31 December 2017 is based on information and documents received from the funds and shareholdings, and other available information.

11 - Service revenues

Revenues from service activities amounted to EUR 2,505 thousand in 2018, compared to EUR 2,208 thousand in 2017, and refer, inter alia, to the servicing of non-performing loans. It is noted that SPC, which provides servicing for non-performing loans, was sold to the YARD Group at the end of 2018 and therefore contributes to the income statement almost for the whole year.

12 - Other revenues and income

Other revenues and income in 2018 were EUR 141 thousand compared with EUR 144 thousand in 2017.

13 – Operating costs

Operating costs in 2018 were EUR 56,232 thousand, compared with EUR 98,616 thousand in 2017.

It is noted that in 2017, the item includes the impairment of the goodwill of DeA Capital Real Estate SGR for EUR 34,178 thousand, as well as the SPC goodwill for a total of EUR 2,402 thousand.

13a - Personnel costs

The breakdown of personnel costs for 2018 and the related comparison in 2017 is shown below:

(EUR thousand)	2018	2017
Salaries and wages	18,529	17,914
Social security charges	5,348	4,969
Board of directors' fees	3,029	3,238
Performance shares cost	826	1,227
End-of-service payment fund	1,242	1,160
Other personnel costs	1,636	1,385
Total	**30,610**	**29,893**

At 31 December 2018, the DeA Capital Group had a total of 193 employees (185 at 31 December 2017).

The table below shows the changes and average number of Group employees during 2018.

Position	1.1.2018	Recruits	Departures	Other changes	31.12.2018	Average
Senior Managers	32	1	(3)	6	36	34
Junior Managers	60	12	(5)	(4)	63	62
Staff	93	28	(19)	(8)	94	94
Total	**185**	**41**	**(27)**	**(6)**	**193**	**190**

The item Other changes includes the effects deriving from the deconsolidation at the end of 2018 of SPC and from the consolidation from the acquisition date during 2018 of DeA Capital Real Estate France.

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

13b - Service costs

The breakdown of service costs for 2018 and the related comparison in 2017 is shown below:

(EUR thousand)	**2018**	**2017**
Administrative, Tax Legal consultancy and other costs	6,672	6,099
Fees to corportae bodies	662	590
Ordinary maintenance	200	171
Travel expenses	790	776
Utilities and general expenses	1,033	1,166
Third-party rental, royalties and leasing	3,671	3,794
Bank charges	55	112
Books, stationery and conferences	228	494
Commission expenses	1,041	988
Other expenses	2,785	2,609
Total	**17,137**	**16,799**

13c - Depreciation, amortisation and impairment

Depreciation, amortisation and impairment in 2018 were EUR 3,909 thousand compared with EUR 41,529 thousand in 2017.

Please see the table on changes in intangible and tangible assets for details on this item.

It is noted that in 2017, the item included the impairment of the goodwill of DeA Capital Real Estate SGR for EUR 34,178 thousand, as well as the SPC goodwill for a total of EUR 2,402 thousand.

13d – Other costs

This item totalled EUR 4,576 thousand in 2018 (EUR 10,395 thousand in 2017) and mainly consisted of:

- the non-deductible pro-rata VAT on the costs of 2018 of DeA Capital Real Estate SGR for EUR -1,361 thousand (EUR -1,334 thousand in 2017);
  - the write-down/losses on receivables of DeA Capital Real Estate SGR for EUR -1,581 thousand (EUR -7,796 thousand in 2017, which included the adjustment of the receivable from the Beta fund for the final variable fee);
  - the write-down/losses on receivables of IDeA OPI I for EUR -1,180 thousand (EUR -207 thousand in 2017), relating to the transaction with Giochi Preziosi.

14 - Financial income and charges

14a - Financial income

The following is a breakdown of financial income in 2018 and the relative comparison with 2017:

(EUR thousand)	2018	2017
Interest incomes	486	550
Exchange gains	328	3
Total	**814**	**553**

14b - Financial charges

The details of financial charges in 2018 and the relative comparison with 2017 are shown below:

(EUR thousand)	2018	2017
Interest expenses	69	52
Exchange losses	202	541
Financial charges IAS 19	58	44
Total	**329**	**637**

15 - Income tax for the period, deferred tax assets and deferred tax liabilities

The item, equal to EUR -5,765 thousand in 2018 (EUR -420 thousand in 2017), includes current income taxes for the year of EUR -8,189 thousand (EUR -2,742 thousand in 2017) and the positive net deferred taxes for EUR +2,424 thousand (EUR +2,322 thousand in 2017).

The table below shows the taxes determined on the basis of the rates and the taxable income. The latter was calculated in light of applicable legislation.

(EUR thousand)	2018	2017
Current taxes:		
Income from tax consolidation scheme	278	1,065
- IRES	(6,715)	(2,374)
- IRAP	(1,744)	(1,444)
- Other tax	(8)	11
Total current taxes	**(8,189)**	**(2,742)**
Deferred taxes for the period:		
- Charges for deferred/prepaid taxes	6	25
- Income from deferred/prepaid taxes	2,418	2,297
Total deferred taxes	**2,424**	**2,322**
Total income tax	**(5,765)**	**(420)**

The table below shows a reconciliation of the tax charges recorded in the Consolidated Financial Statements and the theoretical tax charge for 2018 calculated using the corporate income tax (IRES) rate applicable in Italy.

	2018		2017	
(EUR thousand)	**Amount**	**Rate**	**Amount**	**Rate**
Profit before tax	**47,110**		**(25,873)**	
Tax on theoretical income	11,306	24.0%	(6,210)	24.0%
Tax on inter-company dividends	(7)	(0.0%)	190	(0.7%)
Intangible assets amortization - final variable fees	360	0.8%	552	(2.1%)
Impairment of goodwill	0	0.0%	8,728	(33.7%)
revaluations/write-downs of equity invetments and receivables	12,872	27.3%	(3,075)	11.9%
Tax impact of IFRS 9 First Time adoption	19,612	41.6%	0	0.0%
Previous tax losses used	(26,149)	(55.5%)	0	0.0%
Net profit/(loss) from subsidiaries not subject to taxation	(13,657)	(29.0%)	174	(0.7%)
Net profit/(loss) from associates not subject to taxation	14	0.0%	(935)	3.6%
Income from tax consolidation scheme	(209)	(0.4%)	(113)	0.4%
Other net differences	2,295	4.9%	1,998	(7.7%)
Net effect of prepaid/deferred taxes	(2,424)	(5.1%)	(2,322)	9.0%
IRAP and other taxes on foreign income	1,752	3.7%	1,433	(5.5%)
Income tax reported in the income statement	**5,765**	**12.2%**	**420**	**-1.6%**

16 – Basic earnings (loss) per share

Basic earnings per share are calculated by dividing net profit for the period attributable to the Group's shareholders by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by dividing net profit for the period attributable to the Group's shareholders by the weighted average number of shares outstanding during the period including any diluting effects of existing stock option plans, in the event the allocated options are in the money.

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

(EUR thousand)	**Financial Year 2018**	**Financial Year 2017**
Consolidated net profit/(loss) - Group share (A)	11,070	(11,652)
Weighted average number of ordinary shares outstanding (B)	253,893,495	258,259,934
Basic earnings/(loss) per share (€ per share) (C=A/B)	**0.044**	**(0.045)**
Restatement for dilutive effect	0	0
Consolidated net profit/(loss) restated for dilutive effect (D)	11,070	(11,652)
Weighted average number of shares to be issued for the exercise of stock options (E)	68,889	119,700
Total number of outstanding shares and to be issued (F)	253,962,385	258,379,634
Diluted earnings/(loss) per share (€ per share) (G=D/F)	**0.044**	**(0.045)**

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

Primary and secondary reporting formats

The information on businesses reflects the Group's internal reporting structure. These businesses are:

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

Summary Group Income Statement - performance by business in 2018

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

Summary Group Income Statement - performance by business in 2017

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

Notes to the Cash Flow Statement

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

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

In 2018, **operating activitie**s, as defined above, generated cash and cash equivalents of EUR +96,408 thousand (EUR +91,146 thousand in 2017). Please see the Consolidated Cash Flow Statement for information on changes to this item.
In particular, the following are noted:

- the net collection, amounting to EUR +66.2 million, relating to the sale, in July 2018, of the investment in Corin Orthopaedics Holding Limited;
- the collection, amounting to EUR 8.5 million, related to the sale, on March 21, of Elemaster;
- the collection deriving from the agreement finalised in June 2018 relating to the exit of IDeA Opportunity Fund I from Giochi Preziosi. This settlement agreement specifically provided for the sale by the same fund of the convertible bond outstanding for a price of EUR 9.5 million, of which EUR 6.0 million collected in cash and EUR 3.5 million collected in December 2018.

In 2018, **financial activities** absorbed EUR -80,092 thousand (EUR -59,035 thousand in 2017). Please see the Consolidated Cash Flow Statement for information on changes to this item.
In particular, in 2018 treasury shares were purchased for EUR -3,186 thousand (EUR -8,042 thousand in 2017) and dividends/redemptions were distributed for EUR -75.508 thousand (EUR -53,569 thousand at 31 December 2017), of which EUR -30,450 thousand for the shareholders of DeA Capital S.p.A., EUR -2,648 thousand for the Third-Party Shareholders of DeA Capital Real Estate and EUR -42,410 thousand for the Third-Party Shareholders of IDeA OF I (refer to Note 5h).

Cash and cash equivalents totalled EUR 143,767 thousand at end-2018, compared with EUR 127,916 thousand at the end of the 2017. It is noted that the cash and cash equivalents at the end of 2017 included EUR 4,479 thousand in restricted cash (zero at end-2018) relating to withholdings by DeA Capital Alternative Funds SGR as substitute tax to the IDeA I FoF fund holders.

Other information

Treasury and Parent Company shares

As already described in the section Significant events during the year of the Report on Operations, 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 treasury shares representing a stake of up to 20% of the share capital.

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

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

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

On the same date, the Board of Directors 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, and set the maximum daily purchase limit at 25% of the average daily volume of shares traded on the Mercato Telematico Azionario in the 20 trading days prior to the purchase date.

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.

DeA Capital S.p.A. will notify the market of the start date of the treasury share purchase program in compliance with current legislation.

In 2018, DeA Capital S.p.A. purchased 2,208,051 shares for a price of about EUR 3.2 million.

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 17.2% 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).

During 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 art. 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	1.46	1.34	1.19	1.36	1.27	1.56
Value at the grant date/ amendment date of the regulation	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 13 March 2018, in accordance with the provisions of the Regulation implemented pursuant to art. 2391-bis of the Italian Civil Code with Consob Resolution 17221 of 12 March 2010, as subsequently amended. During the year, the Company did not carry out any atypical or unusual transactions with related parties. In addition, it did not carry out any 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 priced at market rates, and is intended to allow the Company to maintain a streamlined organisational structure in keeping with its development policy, while obtaining sufficient operational support.

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

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

2) DeA Capital S.p.A., DeA Capital Partecipazioni and DeA Capital Alternative Funds SGR have adopted the national tax consolidation scheme of the De Agostini Group (the Group headed by De Agostini S.p.A., formerly B&D Holding di Marco Drago e C. S.a.p.a.). This option was exercised jointly by each company and De Agostini S.p.A. through the signing of the Regulation for participation in the National Tax Consolidation scheme for companies in the De Agostini Group and notifying the tax authorities of this option pursuant to the procedures and terms and conditions laid down by law. The option is irrevocable unless the requirements for applying the scheme are not met. The option is irrevocable for DeA Capital S.p.A. for the three-year period 2017-2019, for DeA Capital Partecipazioni for the three-year period 2016-2018 and for DeA Capital Alternative Funds SGR for the three-year period 2018-2020.

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 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.

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

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

On 29 November 2017, DeA Capital S.p.A. 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, except as previously described in the section Scope of consolidation.

The table below summarises the amounts of trade-related transactions with related parties.

	31.12.2018				Financial Year 2018			
(EUR thousand)	**Trade receivables**	**Tax receivables**	**Tax payables**	**Trade payables**	**Income from services**	**Income Tax**	**Personnel costs (*)**	**Service costs**
De Agostini S.p.A.	89	374	3,497	0	345	278	(65)	(620)
De Agostini Publishing Italia S.p.A.	0	0	0	0	0	0	0	(2)
Lottomatica S.p.A.	2	0	0	0	28	0	0	0
De Agostini Editore S.p.A.	0	0	0	193	0	0	0	(565)
De Agostini Scuola S.p.A.	0	0	0	61	0	0	(51)	(25)
Dea Planeta Libri S.r.l.	0	0	0	1	0	0	0	(7)
IDeaMI S.p.A	0	0	0	0	250	0	51	0
Total related parties	**91**	**374**	**3,497**	**255**	**623**	**278**	**(65)**	**(1,219)**
Total financial statement tem	**14,678**	**374**	**5,846**	**5,535**	**2,505**	**278**	**(30,610)**	**(17,137)**
As % of financial statement line item	**0.6%**	**100.0%**	**59.8%**	**4.6%**	**24.9%**	**100.0%**	**0.2%**	**7.1%**

(*) Amounts net of revenues from staff recharges to 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 art. 123-ter of the TUF in accordance with art. 84-quater of the Issuer Regulation, the emoluments and compensation indicated above do not include social security contributions where applicable.

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

In 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
Senior managers with strategic responsibilities	DeA Capital S.p.A.	750,000	61,529	0	811,529
Total		**4,666,323**	**184,586**	**0**	**4,850,909**

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 senior 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

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

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

The risks set out below take into account the features of the market and the operations of the Parent Company DeA Capital S.p.A. and the consolidated Group companies, the main findings of a risk assessment carried out in 2018, as well as the periodic monitoring conducted partly through the regulatory policies adopted by the Group.

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

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

A.2 Socio-political events

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

A.3 Regulatory changes

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

A.4 Performance of the financial markets

The Company's ability to meet its strategic and management objectives could depend on the performance of financial markets. A negative trend in financial markets could have an effect on 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 Group are constantly monitored in order to identify appropriate response strategies that involve both the provision of guidance for the management of Group companies, and the investment and value enhancement strategy for the assets held.

A.5 Exchange rates

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

A.6 Interest rates

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

B. Strategic risks

B.1 Concentration of the Private Equity investment portfolio

The Private Equity Investment strategy adopted by the Group includes:
- Direct investments;
- Indirect investments (via funds).

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

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

B.2 Concentration of Alternative Asset Management 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 slump 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 Group has defined and implemented appropriate strategies that include strategic, operational and management aspects, as well as a system monitoring the level of asset diversification in the Alternative Asset Management business.

B.3 Key resources (governance/organisation)

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

C. Operational risks

C.1 Investment operations

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

C.2 Compliance with covenants

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

C.3 Divestment operations

In its Private Equity Investment business, the Group generally invests over a medium- 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 Group has defined a process to monitor the performance of its investee companies, facilitated by its representation on the management bodies of significant investee companies, with a view to identifying any critical situations in good time.

C.4 Funding Risk

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

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

Funds – Payments/Distributions

Subsequent to 31 December 2018, the DeA Capital Group increased its investments in the ICF III and IDeA CCR II funds for payments totalling EUR 0.5 million. At the same time, the DeA Capital Group received distributions from the Venere fund totalling EUR 0.3 million.

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 0.3 million.

Investment in DeACapital Real Estate Iberia

On 27 February 2019 was the incorporation of DeACapital Real Estate Iberia, a company incorporated under Spanish law, 73% owned by the DeA Capital Group and for the remaining portion by local key managers. The company aims to develop real estate advisory activities for fundraising and for consultancy and management of real estate assets in the Spanish and Portuguese markets, with particular focus on the core+, value-add and opportunistic segments. With this initiative, DeA Capital S.p.A. continues the project to develop the real estate platform on a pan-European basis, through companies controlled by the Group and invested in by local senior management teams, already started with the incorporation of DeA Capital Real Estate France in 2018.

Acquisition of minority units in DeA Capital Real Estate SGR

On 1 March 2019, the acquisition was finalised 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/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, the DeA Capital Group increased its shareholding up to 100% in the capital of DeA Capital Real Estate SGR.