7. Other information

Treasury and Parent Company shares

As already described in the section "Significant events during the year", 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 of 20 April 2017 (which was scheduled to expire with the approval of the 2017 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 Electronic Stock Exchange 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 programme 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 the light of the events that occurred after the close of 2018 – in particular, (i) the attribution of 317,229 treasury shares following the exercise of residual options under the DeA Capital 2014-16 Stock Option Plan and (ii) the 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.

Transactions with related parties

As regards transactions with related parties, these are reported in the section "Other Information" of the Notes to the Consolidated Financial Statements and the Notes to the Annual Financial Statements.

Equity interests, remuneration, stock options and performance shares held by directors, auditors, general managers and managers with strategic responsibilities

Information regarding the equity interests held by directors, auditors, general managers and managers with strategic responsibilities is reported in the relevant sections of the Annual and Consolidated Financial Statements.

Information on remuneration, and on stock options and performance shares allocated to directors, auditors, general managers and managers with strategic responsibilities is provided in the related sections of the Annual and Consolidated Financial Statements and in the Remuneration Report pursuant to Article 123-ter of the Consolidated Finance Act (TUF) in accordance with Article 84-*quater* of the Issuers Regulation, which is available to the public at the headquarters of DeA Capital S.p.A. and on the Company's website www.deacapital.com.

Management and coordination activities

The Company is controlled by De Agostini S.p.A., which pursuant to Article 2497-sexies of the Civil Code exercises management and coordination activities in the Company. Please see the Notes to the Financial Statements above for key figures from the latest approved financial statements of De Agostini S.p.A.

Research and development activities

Pursuant to Article 2428, paragraph 3 of the Civil Code, the Company did not carry out any research and development activities in 2018.

Transactions arising from atypical and/or unusual operations

Pursuant to Consob Communication 6064293 of 28 July 2006, in 2018 neither the Company nor the Group carried out any atypical or unusual transactions or significant transactions that were not a part of its ordinary operations.

Significant non-recurring events and transactions

Pursuant to the aforementioned Consob Communication, in 2018 the DeA Capital Group did not carry out significant non-recurring transactions, since the acquisition of the minority interests in DeA Capital Real Estate SGR and the sale of the investment held in SPC, as well as other transactions relating to the funds in the portfolio, should be considered ordinary activity.

Corporate Governance

With regard to the corporate governance system of DeA Capital S.p.A., adopted to bring the Company into line with the principles of the Code of Conduct approved by the Committee for the Corporate Governance of Listed Companies (the Code of Conduct), please see the document entitled "Report on Corporate Governance and Ownership Structure" found in the Corporate Governance section of the Company's website. Below is a summary of the main information governing DeA Capital S.p.A.'s corporate governance.

Issuer profile

The Issuer's corporate governance structure is based on the traditional administration and control model, and hinges on the central role played by the Board of Directors, the proper disclosure of management decisions, an effective internal control system, the appropriate regulation of potential conflicts of interest, and on rigorous standards of conduct for carrying out transactions with related parties.

Extent of application of the Code of Conduct

DeA Capital S.p.A. adheres to the Code of Conduct. Please see the Report on Corporate Governance and Ownership Structure published on the Company's website (Corporate Governance section) for information on the degree of application of the provisions contained in the Code of Conduct.

Corporate bodies

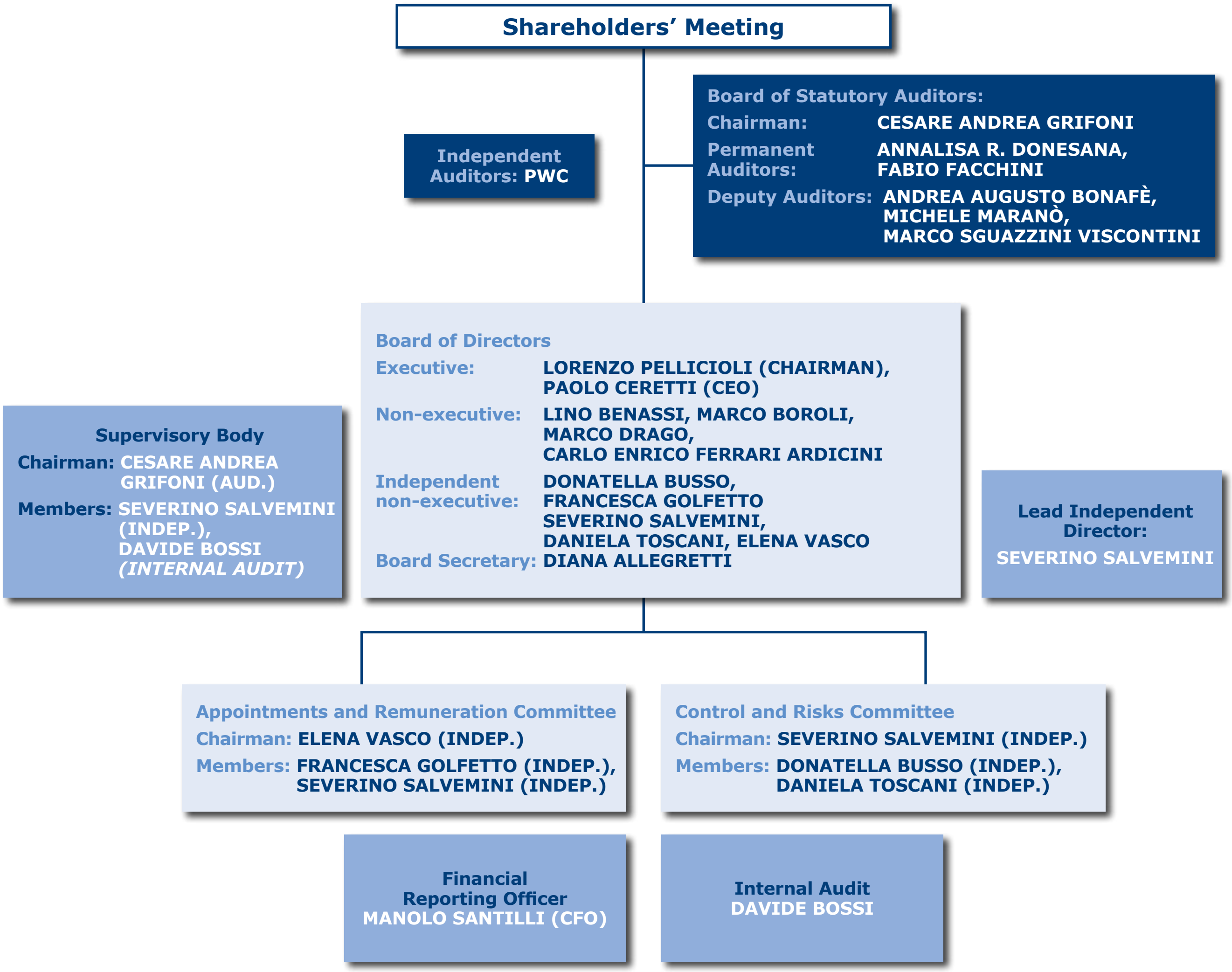
- The **Board of Directors** consists of 11 members, 9 of whom are non-executive directors, and 5 of whom are independent directors. It plays a key role in the corporate governance system of DeA Capital S.p.A. In particular, it has the power and duty to manage the operations of the Issuer with the ultimate and main goal of creating value for shareholders.

  Pursuant to the articles of association, the Board manages the Company's business and is invested with all the administrative powers needed for this purpose, with the exception of those powers reserved for the Shareholders' Meeting according to legislation and the articles of association. The Board of Directors has conferred on the Chairman, Lorenzo Pellicioli, and the CEO, Paolo Ceretti, all the powers of ordinary and extraordinary administration, with the authority to sign: *(i)* with individual signature, any deed, document or contract that involves an actual or prospective expenditure commitment or is connected with an investment of up to and including EUR 20,000,000; *(ii)* with joint signature, any deed, document or contract that involves an actual or prospective expenditure commitment or is connected with an investment of between EUR 20,000,000 and EUR 100,000,000. The Board of Directors, however, has the exclusive authority for any decision on expenditure commitments and investments of over EUR 100,000,000.
  In 2018, the Board of Directors met five times.
  The calendar of meetings scheduled for 2019 has been published (also available on the website www.deacapital.com).

- The **Board of Auditors** comprises six members (the Chairman, two Statutory Auditors and three Alternate Auditors). It monitors compliance with the law and the Company's articles of association, observance of the principles of proper management, and the suitability and proper functioning of the organisational, administrative and accounting structure. In 2018, the Board of Auditors met five times.

- **The Remuneration and Appointments Committee** comprises three independent directors and: (i) as part of its remuneration duties, submits proposals to the Board of Directors concerning the remuneration of the Chief Executive Officer, and assesses the Chief Executive Officer's recommendations regarding the remuneration of managers with strategic responsibilities; (ii) as part of its duties with regard to the appointment and composition of the Board of Directors, submits recommendations to the Board on the appropriate professional profiles of board members in order to ensure its optimal composition and efficient operation, draw up opinions on the size and composition of the Board and recommends candidates for the post of director in cases of co-option. In 2018, the Remuneration Committee met three times.
- The **Control and Risks Committee** comprises three independent directors. It has a consultative role and makes proposals to the Board of Directors. In 2018, the Control and Risks Committee met five times.

Corporate Governance Chart at 31 December 2018:



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 the information 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 macroeconomic 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 in which the Group has invested and/or the business of the investee companies.

A.2 Sociopolitical 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 where the social, political and economic conditions put the achievement of its investment objectives at risk.

A.3. Changes in legislation

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 revenue 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 controlled directly 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 risk

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 to reduce the level of asset concentration.

B.2 Concentration of Alternative Asset Management activities

In Alternative Asset Management activities, 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 in the portfolio of managed funds in a arrow time frame, with related high availability of property on the market, leading to a decrease in property values and an increase in selling times.
  - 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 time frame, 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 to monitor 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 reviewed periodically, in the 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 expenses 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 Inivestment 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 unfeasible, 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 that 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 involving new investors and retaining current investors.

Other information

At 31 December 2018, the Group had 193 employees (185 at the end of 2017), including 36 senior managers, 63 middle managers and 94 clerical staff. Of these, 175 worked in Alternative Asset Management and 18 in Private Equity Investment/Holding Companies. These staff levels do not include personnel on secondment from the Parent Company De Agostini S.p.A.

With regard to the regulatory requirements set out in Article 36 of the Market Regulation on conditions for the listing of parent companies, companies formed or regulated by laws of non-EU countries and of major importance in the consolidated financial statements, it is hereby noted that no Group company falls within the scope of the above-mentioned provision.

Furthermore, conditions prohibiting listing pursuant to Article 37 of the Market Regulation relating to companies subject to the management and coordination of other parties do not apply.

The Management

Lorenzo Pellicioli,
Executive Chairman

Lorenzo Pellicioli (68 years old) is Chairman of the Board of Directors of DeA Capital.
He started his career as a journalist for the newspaper Giornale Di Bergamo and afterwards became Vice-President of Bergamo TV Programmes.
From 1978 to 1984 he held different posts in Italian private television sector: for Manzoni Pubblicità, for Publikompass up to his nomination as Rete 4 General Manager.
In 1984 he joined Gruppo Mondadori, the leading Italian publishing group. He was initially appointed General Manager for Advertising Sales, and Mondadori Periodici (magazines) Deputy General Manager, and afterwards President and CEO of Manzoni & C. S.p.A, the Group's advertising representative.
From 1990 to 1997, he served first as President and CEO of Costa Cruise Lines in Miami, which is part of the Costa Crociere Group operating in the North American market (USA, Canada and Mexico) and then became General Manager of Costa Crociere S.p.A., based in Genoa.
From 1995 to 1997 he was also President and CEO of Compagnie Française de Croisières (Costa-Paquet), the Paris-based subsidiary of Costa Crociere.
From 1997 onwards he participated in the privatisation of SEAT Pagine Gialle, which was purchased by a group of financial investors. After the acquisition he was appointed CEO of SEAT.
In February 2000 he also took charge of the Internet Business unit of Telecom Italia, subsequent to the sale of SEAT.
In September 2001, following the acquisition of Telecom Italia by the Pirelli Group, he resigned.
As from November 2005 he became CEO of the De Agostini Group.
He was Chairman of Gtech from August 2006 until April 2015 and, after the merger with IGT, he became Vice Chairman of IGT and, since November 2018, he is Chairman of the company.
He is a member of the Board of Directors of Assicurazioni Generali S.p.A..
He is also member of the Advisory Board of Palamon Capital Partners.
He was formerly also a member of the boards of Enel, INA-Assitalia and Toro Assicurazioni, and of the Advisory Board of Lehman Brothers Merchant Banking.
On April 3, 2017 he was honoured with the title of *Chevalier dans l'ordre de la Légion d'Honneur* (Knight of the French Legion of Honor).

Paolo Ceretti,
Chief Executive Officer

Paolo Ceretti (64 years old) is Chief Executive Officer of DeA Capital since 2007.
He gained his professional experience inside the Agnelli Group, holding from 1979 positions of increasing importance at Fiat SpA (Internal Auditing and Finance) and in the Financial Services Sector (Planning, Credit and Control) and subsequently assuming the position of Head of Strategic Planning and Development of Ifil (now EXOR).
After assuming responsibility for the internet B2C sector of Fiat/Ifil in 1999 as CEO of CiaoHolding and CiaoWeb, he was appointed CEO of GlobalValue SpA, at Fiat/IBM joint venture in the Information Technology sector.
Since 2004, he has been General Manager of De Agostini S.p.A., the holding of the De Agostini Group where he is also CEO of De Agostini Editore and of IDEAMI S.p.A. (Special Purpose Acquisition Company listed on the AIM Italia and promoted by DeA Capital and Banca IMI).
He is a member of the Board of Directors of Banijay Group and other companies of the Group.

For further info:
www.deacapital.com
section: *About Us*

Manolo Santilli, *Chief Financial Officer e Investor Relations Director*

Manolo Santilli (50 years old) is Chief Financial Officer of DeA Capital since February 2007 and Investor Relations director since July 2016.
He gained his professional experience starting in 1996 in STET International in the Planning, Controlling and Initiative Evaluation area, subsequently assuming in 2000 the responsibility of Administration and Control at IFIL/FIAT of the Internet Start-up Ciaoweb.
In 2002 he became Investment Manager in Finmeccanica and since 2004 he entered the De Agostini Group where he is currently also Administration, Finance and Reporting Manager for De Agostini S.p.A..
In 1994 he graduated in Economics at the Università Commerciale L. Bocconi of Milan. He is also Auditor and member of the Professional Accountants register in Pescara.

Pier Luigi Rossi, Head of Strategy and Development

Pier Luigi Rossi (46 years old) is Head of Strategy and Development since July 2017, reporting directly to the Chief Executive Officer, supporting top management in strategic investments, divestments and management of the shareholdings.
He started his career in Value Partners Management Consulting.
From 1997 to 2003, he worked in London in the Investment Banking Department of Morgan Stanley as analyst in the General M&A Execution Group later becoming senior associate in the European Financial Institutions Group, focusing on the Italian market.
From June 2003 to September 2005, he was senior transactor of the Advisory Team of Mediocredito Centrale (Capitalia Group) later becoming head of Group M&A and Business Development of Capitalia until October 2007.
From the end of 2007 to June 2017, he was founding partner of Sator and partner of Sator Private Equity Fund where he was also head of Investor Relations and board member of various portfolio companies.
He received a BA with honours in Business Administration with major in Finance from Bocconi University in Milan in 1997 and attended MBA Courses in Finance at The Wharton School of the University of Pennsylvania.

For further info:
www.deacapital.com
section: *About Us*

Significant events after the end of the period and outlook

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

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, the incorporation took place of DeACapital Real Estate Iberia, a company incorporated under Spanish law which is 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 the consultancy and management of real estate assets in the Spanish and Portuguese markets, with particular focus on the core+, value-add and opportunistic segments. Through 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, and already started with the incorporation of DeA Capital Real Estate France in 2018.

Acquisition of minority shareholding 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 achieving 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.

OUTLOOK

Regarding **Alternative Asset Management**, the Group will continue to develop its activities, aimed at consolidating its leadership in Italy and selectively exploring opportunities for expansion in Europe. Development will be pursued through expansion of the investor base and a more extensive product range, with a stronger presence in the NPL segment.

Regarding **Private Equity Investment**, the Group will continue its efforts to increase the value of the investments in its portfolio, and at the same time evaluate opportunities for new co-investment/club deal initiatives – including with funds managed by the Alternative Asset Management Platform – that are smaller in size than in the past. The Group will also continue to sponsor new initiatives promoted by the Platform and invest in funds it has launched, using the capital already available, as well as capital from the sale of portfolio assets and the reimbursements from funds in which DeA Capital S.p.A. has invested.

In terms of its capital position, DeA Capital S.p.A. will continue to maintain a solid financial structure, ensuring that shareholders receive attractive cash returns, primarily dividends, based on the available liquidity.