DeA Capital S.p.A.

Annual Report at 31 December 2018

DeA Capital

DeA Capital S.p.A.
Registered Office at Via Brera, 21 - 20121 Milan
Share Capital of Euro 306,612,100 fully paid up
Tax Code, VAT reg. no. and Milan Register of Companies no. 07918170015

Notice of Shareholders' Meeting

DEA CAPITAL S.P.A.

DeA Capital S.p.A.
Registered Office at Via Brera 21, 20121 Milan
Share Capital EUR 306,612,100 fully paid-in
Tax Code, VAT and Milan Companies Register No 07918170015, Milan Administrative Economic Index No 1833926
Company subject to the management and coordination of De Agostini S.p.A.

NOTICE OF SHAREHOLDERS' MEETING

All eligible persons are invited to attend the Extraordinary and Ordinary Shareholders' Meeting to be held at Spazio Chiossetto, Via Chiossetto 20, Milan:

- at 10:00 am on Thursday 18 April 2019, on first call;
- at 10:00 am on Friday 19 April 2019, on second call,

to discuss and resolve on the following

AGENDA

Extraordinary part

1. Proposal for the annulment of 40,000,000 portfolio treasury shares by reducing the share capital; consequent amendment of Article 5 of the Articles of Association. Related and consequent resolutions.

Ordinary part

1. Approval of the Annual Financial Statements for the year ending 31 December 2018. Partial distribution of the share premium reserve. Related and consequent resolutions. Presentation of the Consolidated Financial Statements of the Group headed by DeA Capital S.p.A. for the year ending 31 December 2018;
2. Appointment of the Board of Directors and of the Chair, subject to the determination of the number of its members; determination of the term in office and of the relative fees. Related and consequent resolutions;
3. Appointment of the Board of Statutory Auditors and of the Chair; determination of the relative fees. Related and consequent resolutions;
4. Authorisation to buy and sell treasury shares. Related and consequent resolutions;
5. Approval of a performance share plan reserved for certain employees and/or directors with specific duties in DeA Capital S.p.A., its subsidiaries and the Parent Company pursuant to Article 114-*bis* of Legislative Decree No 58 of 24 February 1998 (the TUF). Related and consequent resolutions;
6. Approval of a share plan for the Chief Executive Officer of DeA Capital S.p.A. pursuant to Article 114-*bis* of the TUF. Related and consequent resolutions;
7. Presentation of the DeA Capital S.p.A. Remuneration Report and advisory vote by the Shareholders' Meeting on the Remuneration Policy of DeA Capital S.p.A. (Section I of the Remuneration Report), in accordance with Article 123-*ter* of the TUF, as amended.

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With reference to the single extraordinary meeting item on the agenda, it is specified, pursuant to Article 2445, paragraph 2 of the Civil Code, that it is proposed to annul 40,000,000 treasury shares, for which retention in the portfolio no longer corresponds to the current needs of the Company, with a consequent reduction of the share capital from EUR 306,612,100 to EUR 266,612,100. The resolution to reduce the share capital can be carried out by the Board of Directors in compliance with the rules and principles safeguarding company creditors, as laid down in Article 2445 of the Civil Code.

For further details, please see the explanatory report pursuant to Article 125-*ter* of Legislative Decree No 58 of 24 February 1998, which will be made available according to the terms and procedures of the law.

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Presentation of proposals for resolution/addition to the agenda

Shareholders who, individually or jointly, represent at least 2.5% of the share capital may submit a request, within 10 days of this notice being published (i.e. by Monday **18 March 2019**), for items to be incorporated into the meeting agenda, indicating on the request the topics suggested, and may also submit proposals for resolutions concerning items already on the agenda.

Together with the share ownership certificate issued, pursuant to the provisions in force, by the authorised intermediaries holding the ledgers in which the shareholders' shares are registered, the request must be submitted in writing, by hand or by recorded delivery. It must be submitted by the above deadline to the Company's registered office, for the attention of the Investor Relations department, or sent by email to deacapital@legalmail.it together with information confirming the identity of the shareholders submitting the request (a contact telephone number should also be provided). Shareholders submitting such requests must also provide, by the aforementioned deadline and by the same means, a report setting out the reasons for the proposals for resolution/addition to the agenda of the new items or the reasons for the additional proposals for resolution relating to items already on the agenda. The Company is responsible for notifying shareholders of the addition to the meeting agenda of any new items or additional proposals relating to existing items, in the same form as for the publication of this notice of Shareholders' Meeting, at least 15 days before the scheduled first-call meeting date.

At the same time as publication of the notice confirming incorporation into the agenda of new items or proposals for deliberations on existing items, the proposals for incorporation/deliberation, together with the corresponding reports submitted by the shareholders concerned and any opinion of the Board of Directors, must be made public pursuant to Article 125-*ter*, paragraph 1 of Legislative Decree No 58/1998.

With the exception of proposals relating to the subject areas listed in Article 125-*ter*, paragraph 1 of Legislative Decree No 58/1998, no additions may be made to the agenda if they relate to matters which, by law, must be decided by the Shareholders' Meeting following a proposal by the Board of Directors or on the basis of a plan or report prepared by the same.

Right to ask questions about items on the agenda

Those who are entitled to vote may raise questions about items on the agenda, including in advance of the Shareholders' Meeting. Together with the share ownership certificate issued, pursuant to the regulations in force, by the authorised intermediaries holding the ledgers in which shareholders' shares are registered, any questions must be sent to the Company's registered office for the attention of the Investor Relations department by recorded-delivery letter, by fax to the number +39 02 62499599 or by email to ir@deacapital.com. Questions must be received by the Company before close of business on the third day before the date scheduled for the first-call Shareholders' Meeting (i.e. by **15 April 2019**). Provided that questions are received before the meeting and by the requisite deadline, a response will be provided, at the latest, during the Shareholders' Meeting itself; a response is deemed to have been provided at a Shareholders' Meeting if it is made available, on paper, at the start of the meeting, to each party entitled to vote. The Company may provide a single response to questions with the same content. The Company also reserves the right to provide the information requested from any questions received prior to the Shareholders' Meeting by displaying it on a dedicated "Questions and answers" page, which can be accessed through the Company's website www.deacapital.com (Corporate Governance/Shareholders' Meetings). Where this is the case, no response need be given at the Shareholders' Meeting.

Entitlement to take part in Shareholders' Meetings

Shareholders are eligible to take part in Shareholders' Meetings if they are registered as holding voting rights on the record date – i.e. by the close of business on the seventh trading day before the date scheduled for the first-call Shareholders' Meeting (**9 April 2019**) – and if the requisite statement has been received by the Company from the authorised intermediary. Those who only become shareholders after that date will not be entitled to take part or vote in the Shareholders' Meeting.

The statement by the intermediary referred to above must be received by the Company before close of business on the third trading day prior to the date scheduled for the first-call Shareholders' Meeting. If the statement is received by the Company after this date, shareholders will, however, still be entitled to take part in the meeting and vote, provided the statement is received before the start of the first-call Shareholders' Meeting. As a reminder, the statement is communicated to the Company by the intermediary at the request of the individual holding the voting right.

Representation in Shareholders' Meeting

All those entitled to take part in a Shareholders' Meeting may appoint a representative by issuing a written proxy in accordance with the statutory and regulatory provisions in force. In this regard, it should be noted that a proxy may be granted by means of a digital document signed electronically, as defined in Article 135-*novies*, paragraph 6 of Legislative Decree No 58/1998, and that the proxy letter template provided at www.deacapital.com may be used for this purpose. The proxy may be sent to the Company's registered office by recorded delivery or by email to the Company's certified email address deacapital@pecserviziotitoli.it.

The proxy holder may deliver or send a copy of the proxy, also electronically, to the Company instead of the original, certifying under their own responsibility that it is a true copy, and confirming the identity of the delegating party. Any prior notification shall not exempt the delegated party during accreditation for access to the Shareholders' Meeting work, from the obligation of certifying conformity with the original of the copy notified and the identity of the delegating party.

Designated proxy holder

Proxies, with voting instructions for the items on the agenda, may be granted to Computershare S.p.A., which has its registered office at Via Lorenzo Mascheroni 19, Milan 20145, duly designated by the Company for this purpose in accordance with Article 135-*undecies* of Legislative Decree No 58/1998. A printable version of the relevant form must be signed and may be downloaded from the website www.deacapital.com (under Corporate Governance/ Shareholders' Meetings) or obtained from the Company's registered office or from the registered office of Computershare S.p.A. The original of the proxy form, with voting instructions, must be received by Computershare S.p.A., Via Lorenzo Mascheroni 19, Milan 20145, by close of business on the second trading day before the date of the first-call Shareholders' Meeting or the date of the second-call Shareholders' Meeting (i.e. by **16 April 2019** for the first-call Shareholders' Meeting or by **17 April 2019** for the second-call Shareholders' Meeting). A copy of the proxy form may be sent in advance to the designated proxy holder by the above-mentioned deadlines by fax to +39 02 46776850, or attached to an email sent to ufficiomilano@pecserviziotitoli.it. The proxy is valid solely in respect of those items for which voting instructions are given. Proxies and voting instructions may be revoked by the deadlines specified above. Note that the statement to be communicated to the Company by the intermediary, confirming the shareholder's eligibility to take part and exercise voting rights in the Shareholders' Meeting, is also required if a proxy is granted to the designated proxy holder. By law, shares for which a proxy is granted, whether in full or in part, are taken into account in determining whether the Shareholders' Meeting is duly constituted, although proxies without voting instructions do not count for the purposes of calculating the majority and quorum required to pass resolutions. Information regarding proxies granted to Computershare S.p.A. (which can be contacted for any queries by telephone on +39 02 46776811) is also available on the relevant proxy letter template mentioned above.

Share capital and voting shares

The share capital is EUR 306,612,100 divided into 306,612,100 ordinary shares, each with a par value of EUR 1.00.

Each ordinary share carries voting rights at the Shareholders' Meeting (except ordinary treasury shares, at 8 March 2019 equal to 47,367,141 shares, on which voting rights are suspended in accordance with the law). However, it should be noted that the Shareholders' Meeting of 17 April 2015 amended Article 9 of the Articles of Association, introducing a loyalty shares mechanism pursuant to Article 127-*quinquies* of the TUF. Specifically, pursuant to the aforementioned Article 9, two voting rights will be allocated for each ordinary DeA Capital share held by the same shareholder of the Company, pursuant to a legal title establishing entitlement, for a continuous period of at least 24 months, starting from the registration of the shareholder on a special list. This will be set up and maintained by the Company at its registered office. For the list of relevant shareholders that have requested registration on the loyalty shares list of DeA Capital S.p.A. and that have obtained increased voting rights, please see the Corporate Governance/Loyalty Shares section of the website www.deacapital.com.

Members of the Corporate Bodies

The Board of Directors and the Board of Statutory Auditors are appointed pursuant to Articles 11 and 18 of the Articles of Association, which should be referred to for what is not outlined herein.

The members of the Board of Directors and the Board of Statutory Auditors are appointed by the Shareholders' Meeting on the basis of lists presented by the shareholders.

The renewal of the Board of Directors and the Board of Statutory Auditors must take place in compliance with the regulation on the balance between genders pursuant to Law No 120 of 12 July 2011.

The lists may be presented by shareholders who, alone or together with others hold at least 2.5% of the share capital, a fixed threshold from Consob Resolution 13 of 24 January 2019. The ownership of the minimum shareholding required for the presentation of the lists is determined having regard to the shares that are registered in favour of the shareholder on the day on which the lists are filed with the Company. Each shareholder, shareholders belonging to the same group and shareholders belonging to the same relevant shareholders' agreement pursuant to Article 122 of Legislative Decree No 58/1998, may not present or contribute to the presentation, even through a third party or trust company, of more than one list and they may not vote for different lists. Participation and votes cast in violation of this prohibition shall not be attributed to any list.

The lists of candidates presented by the shareholders, accompanied by the documentation required by Articles 11 and 18 of the Articles of Association, must be filed within the 25th day before the date scheduled for the first-call Shareholders' Meeting (i.e. by **Sunday 24 March 2019**) at the Company's registered office from Monday to Friday from 8:00 am to 7:00 pm and Saturday from 8:00 am to 2:00 pm, or sent electronically to the certified e-mail address deacapital@legalmail.it jointly with the information that enables the identification of the subject that sends the lists. The lists must also be made available to the public at the registered office, on the Company's website www.deacapital.com (under Corporate Governance/Shareholders' Meetings), and at the authorised storage mechanism 1info, at www.1info.it, at least 21 days before the Shareholders' Meeting (i.e. by **28 March 2019**).

The ownership of the number of shares required for the presentation of lists by the shareholders is attested on the basis of the certifications issued by authorised intermediaries, pursuant to the applicable provisions proving the ownership of the number of shares represented and determined with regard to the shares registered in favour of the shareholders on the day on which the lists are filed at the Company.

Appointment of the Board of Directors

Pursuant to Article 11 of the Articles of Association, the Board of Directors consists of 3 to 21 members, including non-shareholders, as determined by the Shareholders' Meeting at the time of appointment.

The Board of Directors is appointed in compliance with the provisions of Article 11 of the Articles of Association, which should be referred to for what is not outlined herein.

Pursuant to Article 11 of the Articles of Association, taking on the office of director is subject to possession of the requisites established by the provisions of the law and regulations in force.

The lists contain a number of candidates not exceeding the number of members to be elected, listed in numerical order. Each candidate may appear on only one list under penalty of ineligibility. Lists with at least three candidates may not consist only of candidates belonging to the same gender (male or female). Candidates of the less-represented gender in these lists may not be less than one-third (rounded up) of all the candidates on the list.

Together with each list, the following shall be filed: (i) the declarations with which the individual candidates accept their candidacy, undertake – where appointed – to accept the position and certify, under their own responsibility, the absence of causes of ineligibility and incompatibility, as well as the possession of the requisites prescribed for the respective offices by current legislation; (ii) a curriculum vitae, containing exhaustive information on the personal and professional characteristics of each candidate with the possible indication of the suitability of the same to qualify as independent; (iii) an indication of the identity of the shareholders who presented the lists and the percentage of the total shareholding held; and (iv) a copy of the certifications issued by authorised intermediaries and certifying the ownership of the number of shares required to present said lists.

Those presenting a minority list are also recipients of the recommendations drawn up by Consob in Communication DEM/9017893 of 26 February 2009.

Any lists presented that do not comply with the aforesaid provisions of the Articles of Association and current legislation shall be considered as not presented.

If only one list is presented or if no lists are presented, the Shareholders' Meeting shall pass resolutions according to legal majority.

For further information on the appointment of the Board of Directors, please refer to the explanatory report on the related item on the agenda, prepared by the Board of Directors pursuant to Article 125-*ter* of the TUF, and made available to the public within the terms and according to the procedures established by current legislation.

Appointment of the Board of Statutory Auditors

The Board of Statutory Auditors is appointed in compliance with the provisions of Article 18 of the Articles of Association, which should be referred to for what is not outlined herein.

With regard to the composition of the Board of Statutory Auditors, it is noted that at least one of the regular auditors must be: (a) female, where the majority of regular auditors are male; and (b) male, where the majority of regular auditors are female. The minority shall be entitled to the election of one regular auditor and one alternate auditor.

The appointment of the Board of Statutory Auditors takes place on the basis of lists presented by shareholders in which candidates are listed in numerical order. The list consists of two sections: one for candidates for the office of regular auditor and the other for candidates for the office of alternate auditor. The list bears the names, marked by a progressive number, of one or more candidates. In lists with three or more candidates for regular auditor or alternate auditor, at least one of the candidates for the position of regular auditor must be of a different gender from the other candidates. Candidates for the office of Auditor must meet the requirements established by the law, the Articles of Association and other applicable regulatory provisions.

Together with each list, the following shall be filed: (i) information regarding the identity of shareholders who presented the lists, indicating the percentage of the total shareholding held in the share capital; (ii) a declaration by shareholders other than those who hold, even jointly, a controlling or relative majority shareholding, certifying the absence of associative relations pursuant to Article 144-*quinquies* of Consob Issuers' Regulation 11971, also taking into account the recommendations made by Consob in Communication DEM/9017893 of 26 February 2009; (iii) a curriculum vitae containing exhaustive information on the personal and professional characteristics of each candidate, with evidence of the administration and control positions held in other companies as well as the declarations by which the individual candidates accept the designation, undertake – where appointed – to accept the position and certify, under their own responsibility, the absence of causes of ineligibility and incompatibility, as well as the existence of the regulatory and statutory requirements required for the respective offices.

Those who have presented the lists must also file a copy of the certifications issued by authorised intermediaries and certifying the ownership of the number of shares required for the presentation of said lists, within the terms and according to the procedures indicated by current legislation.

Any lists presented that do not comply with the aforesaid provisions of the Articles of Association shall be considered as not presented.

If, on the expiry date of the term for the presentation of lists (i.e. **Sunday 24 March 2019**), only one list is presented, or only lists that are connected pursuant to the applicable regulatory framework, they may be presented up to the third day following said date (i.e. until 27 March 2019). In this case, the threshold for the presentation of lists is reduced by half (i.e. 1.25% of the share capital). If, after the further term referred to in the previous period, only one list is presented, the entire Board of Statutory Auditors is appointed from said list and the first candidate is appointed as Chair of the Board of Statutory Auditors. If no list is presented, the Shareholders' Meeting resolves by majority of voters, excluding abstainers from the calculation.

For further information on the appointment of the Board of Statutory Auditors, please refer to the explanatory report on the related item on the agenda, prepared by the Board of Directors pursuant to Article 125-*ter* of the TUF, and made available to the public within the terms and according to the procedures established by current legislation.

Documentation and information

Please note that documentation relating to the items on the agenda that is required by law or under regulatory provisions will be made available to the public at the Company's registered office and published on the Company's website at www.deacapital.com (under Corporate Governance/Shareholders' Meetings) and on the authorised storage mechanism 1info www.1info.it, as well as by the means and under the terms and conditions laid down in the regulations in force. Shareholders and other parties entitled to take part in Shareholders' Meetings may obtain copies of this documentation. The following, in particular, will be made available to the public:

for the extraordinary part:

- from 19 March 2019, the Directors' Report on item 1;

and, for the ordinary part:

- from today, at the same time as the publication of this notice, the Directors' Report on items 2 and 3;
- from 19 March 2019, the Directors' Reports on items 5 and 6, and the related information documents required pursuant to Article 84-bis of Consob Issuers' Regulation 11971;
- from 28 March 2019, the financial report and other documents referred to in Article 154-*ter* of Legislative Decree No 58/1998, the Remuneration Report and the Directors' Report on item 4 of the agenda.

All eligible persons have the right to read and, on request, obtain a copy thereof.

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This notice is published, pursuant to Article 125-*bis* of Legislative Decree No 58/1998, on the Company's website (www.deacapital.com), according to the other procedures provided for under current legislation, and as an excerpt in the newspaper Milano Finanza.

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Milan, 8 March 2019

For the Board of Directors

Chair of the Board of Directors

(Lorenzo Pellicioli)

Corporate Boards and Controlling Structure

Corporate information

DeA Capital S.p.A. is subject to the management and coordination of De Agostini S.p.A.
Registered office: Via Brera 21, Milan 20121, Italy

Share capital: EUR 306,612,100 (fully paid up), comprising 306,612,100 shares with a nominal value of EUR 1 each (including 52,858,542 treasury shares at 31 December 2018)

Tax code, VAT code and Milan Companies Register No 07918170015

Board of Directors (*)

Chairman
Lorenzo Pellicioli

Chief Executive Officer
Paolo Ceretti

Directors
Lino Benassi
Marco Boroli
Donatella Busso (1 / 5)
Marco Drago
Carlo Enrico Ferrari Ardicini
Francesca Golfetto (3 / 5)
Severino Salvemini (2 / 3 / 5)
Daniela Toscani (1 / 5)
Elena Vasco (4 / 5)

Board of Statutory Auditors (*)

Chairman
Cesare Andrea Grifoni

Permanent Auditors
Annalisa Raffaella Donesana
Fabio Facchini

Deputy Auditors
Andrea Augusto Bonafè
Michele Maranò
Marco Sguazzini Viscontini

Secretary to the Board of Directors
Diana Allegretti

Manager responsible for preparing the Company's accounts
Manolo Santilli

Independent Auditors
PricewaterhouseCoopers S.p.A.

(*) In office until the approval of the Financial Statements at 31 December 2018
(1) Member of the Control and Risks Committee
(2) Member and Chairman of the Control and Risks Committee
(3) Member of the Remuneration and Appointments Committee
(4) Member and Chairman of the Remuneration and Appointments Committee
(5) Independent Director

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Letter

"In 2018, DeA Capital reported more than positive results, confirming itself as the leading alternative asset manager in Italy and starting the internationalisation of the Platform. In the coming years, the solidity of the balance sheet will support us in the path of growth and in the continuous active remuneration of invested capital."

to the Shareholders

Dear Shareholders,

In 2018, the Assets Under Management (AUM) of the DeA Capital Platform increased to EUR 11,900 M, with Fees up to EUR 63.3 M (+6% compared to 2017) and an improved Operating Net Result to EUR 15.3 M (+14%).

In the year, Private Equity Investments generated net liquidity of almost EUR 80 M; these resources were used to strengthen the Alternative Asset Management activities - in particular, for the acquisition of the minority shares of the Asset Management Company active in the Real Estate sector and for the start of the Platform internationalisation project - as well as to remunerate invested capital (through dividend and re-purchase of treasury shares).

In terms of assets, we have continued to adopt an extremely prudent approach in allocating our liquid assets, reaching over EUR 100 M.

With reference to the performance of the share on the stock exchange, despite a rather complex picture of the financial markets especially in the last part of 2018, we recorded positive performance during the year (+0.3%), against decidedly negative developments for the two indexes that we usually refer to - FTSE All Share TR (-13.9%) and LPX Composite TR (-9.6%) - as well as for most asset classes worldwide. Even widening the time horizon and starting from 1 October 2014 - or from the date of sale of the investment in GDS - the comparison is substantially positive, with an overall performance of +31.9%, compared to +5% for the italian index FTSE All Share TR and +33.6% for the LPX Composite TR.

In summary, we have reported a more than positive year in terms of both results and strategic achievements.

As mentioned above, we have come to hold 100% of the Asset Management Company active in Real Estate, significantly improving the ability to operate as an integrated platform in relation to our management companies; in addition, we started the internationalisation project of the same platform, with the establishment of two subsidiary companies in France and Spain, for the development in the respective markets of asset management in real estate.

In relation to the outlook, the reference scenario is still complex, particularly due to the numerous geo-political uncertainties, such as the result of the forthcoming European elections, the Brexit and the evolution of trade tensions between the United States and China. Global GDP growth expectations are positive, but slowing, and central banks are reacting to this with a more accommodating monetary policy tone than a few months ago. Increased levels of volatility on financial markets are expected, with investment opportunities based more on asset picking than on asset allocation.
In this context, it is reasonable to expect a continuation of the growing trend in the allocation of investors' portfolios to alternative assets (mainly real estate, private equity, private debt and hedge funds).

As for DeA Capital, we believe we can continue on the path of AUM growth, maintaining a unique and distinctive approach in Italy - in terms of skills, relationships and financial solidity - as well as exploiting the Platform's recent international expansion initiatives.
From the Shareholder's point of view, we intend to continue the policy of active remuneration of invested capital, while maintaining a solid capital structure.

Lorenzo Pellicioli
Chairman

Paolo Ceretti
Chief Executive Officer

Report on Operations

Profile of

With Assets under Management (*) of about EUR 11,900 million and an investment portfolio of over EUR 350 million, DeA Capital S.p.A. is one of Italy's largest alternative investment operators.

The Company, which operates in both the Private Equity Investment and Alternative Asset Management businesses, is listed on the FTSE Italia STAR section of the Milan stock exchange and heads the De Agostini Group in the area of financial investments.

With regard to Alternative Asset Management activities, DeA Capital S.p.A. – through its subsidiaries DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR – is Italy's leading operator, with the two asset management companies active in the promotion, management and value enhancement of investment funds in real estate, private equity and credit.

In the Private Equity Investment business, DeA Capital S.p.A. has "permanent" capital, and therefore has the advantage – compared with traditional private equity funds, which are normally restricted to a pre-determined duration – of greater flexibility in optimising the timing of entry to and exit from investments. In terms of investment policy, this flexibility allows it to adopt an approach based on value creation, including over the medium to long term.

The Company's ability to carry out investment initiatives that are structurally very complex, on the one hand, and to raise funds through its asset management subsidiaries, on the other, is proof of the effectiveness of its business model, which combines private investment and asset management activities to create value in a unique way in Italy's alternative asset management sector. It does this thanks to:

• the quality, built up over time, of the management team, which has over 190 professionals dedicated to making investments and managing funds in the most attractive alternative investment asset classes (real estate, private equity and NPL);

• its solid financial position, which enables it to support the launch of new initiatives with its own capital, and hence substantially align its interests with those of the investors in the managed funds;

• an extensive network of international relationships, which makes the DeA Capital Group the preferred 'Gate to Italy' for alternative investment decisions in our country;

• its membership of one of Italy's leading business groups, the structure of which is built on a long-term approach that best supports the Company's growth path.

(*) Assets under Management refer to:
- *for Real Estate funds, assets of funds under management;*
- *for Private Equity funds, the overall commitments.*

DeA Capital S.p.A.

PRIVATE EQUITY INVESTMENT

Indirect Investment

In private equity and real estate funds.

Direct investment

In companies operating in Europe
and Emerging Europe

ALTERNATIVE ASSET MANAGEMENT

2.4 Bln €

DeA Capital Alternative Funds SGR,
which manages private equity funds
(funds of funds, theme funds and credit funds).

Assets Under Management: ***Eur 2.4 billion***

9.5 Bln €

DeA Capital Real Estate SGR,
which manages real estate funds.

Assets Under Management: ***Eur 9.5 billion***

DeA Capital Real Estate France,
the newly established company with the aim of developing real estate advisory services for fundraising and consulting and managing real estate assets in the French market

YARD,
which operates in project, property and facility management, as well as in real estate brokerage

For further info:
www.deacapital.com
section: Investimenti and Asset Management

Alternative asset management

- 100% control of **DeA Capital Alternative Funds SGR**, which manages private equity funds (funds of funds, thematic funds and credit recovery funds) with about EUR 2.4 billion in Assets under Management (AuM) and 11 managed funds.

- controlling shareholding in **DeA Capital Real Estate SGR** (94.0%), Italy's largest independent real estate asset management company, with Assets under Management of EUR 9.5 billion and 47 managed funds (including 2 listed funds).

- controlling shareholding in **DeA Capital Real Estate France** (70.0%), a newly established company with the aim of developing real estate advisory services for fundraising and consulting and managing real estate assets in the French market.

- strategically important shareholding in **YARD** (45.0%), which operates in project, property and facility management, evaluations and due diligence, as well as in real estate brokerage.

Private equity investment

• **Funds**

- units in nine funds managed by the subsidiary DeA Capital Alternative Funds SGR, i.e. in the three funds of funds **IDeA I Fund of Funds, ICF II** and **ICF III**, the co-investment fund **IDeA Opportunity Fund I**, in the thematic funds **IDeA Efficienza Energetica e Sviluppo Sostenibile** (Energy Efficiency and Sustainable Development), **IDeA Taste of Italy** and **IDeA Agro**, as well as in the credit funds **IDeA Corporate Credit Recovery I** and **II**.

- units in three funds managed by the subsidiary DeA Capital Real Estate SGR, i.e. in the funds **Venere**, **Santa Palomba** and **Special Opportunities I**.

- units in six venture capital funds.

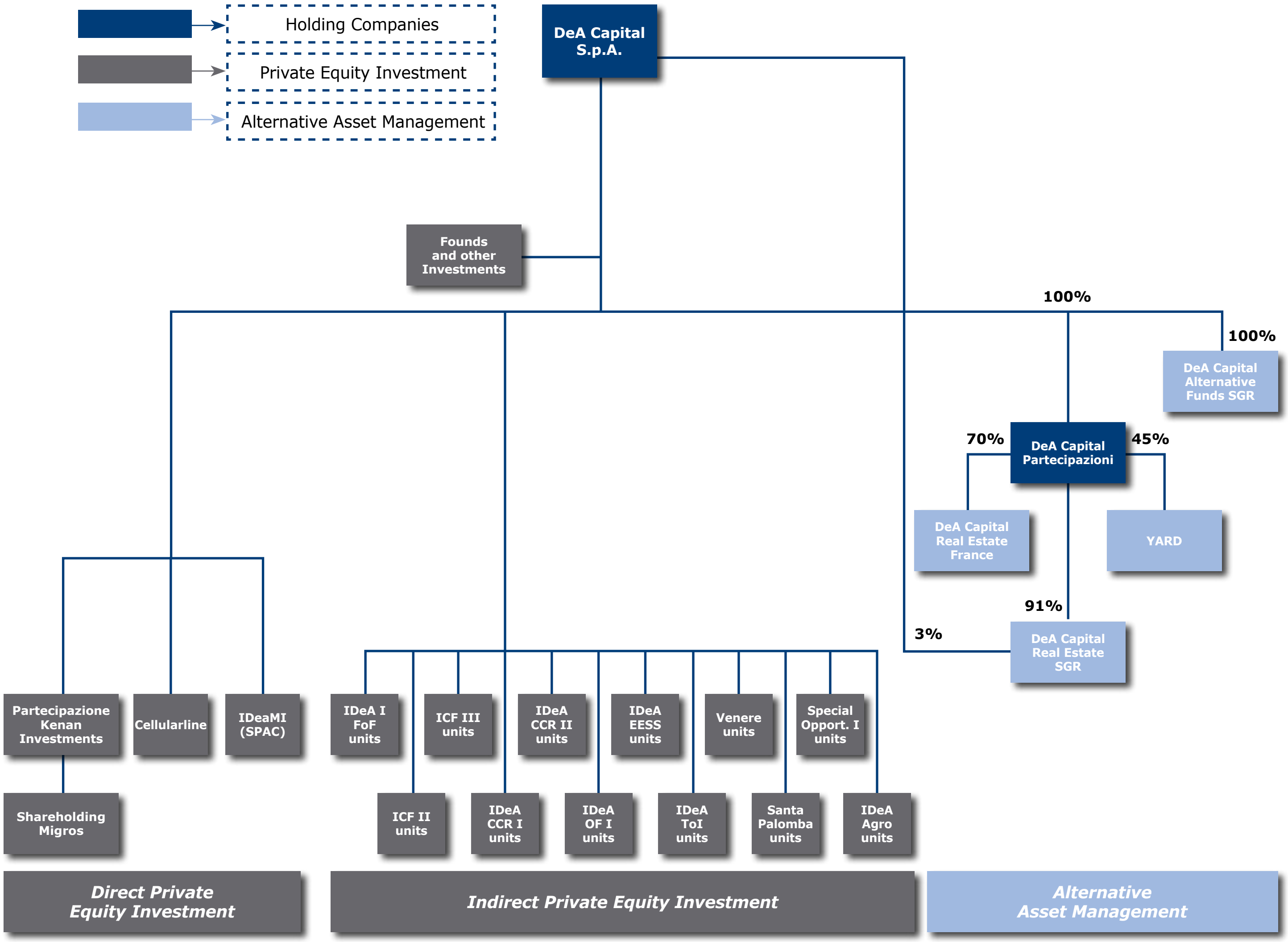
• **Main shareholdings**

- minority shareholding in **Migros**, Turkey's leading food retail chain operator, whose shares are listed on the Istanbul Stock Exchange; the investment is held through the Luxembourg-registered company Kenan Investments S.A. (with a stake of 17.1% in Kenan Investments, equating to a fully diluted stake of about 4.0% in Migros);

- minority shareholding in **Cellularline** (4.3% of the total shares issued), a combined entity between Crescita SPAC and the Cellular Group, owner of the Cellularline brand and leader in accessories for smartphones and tablets;

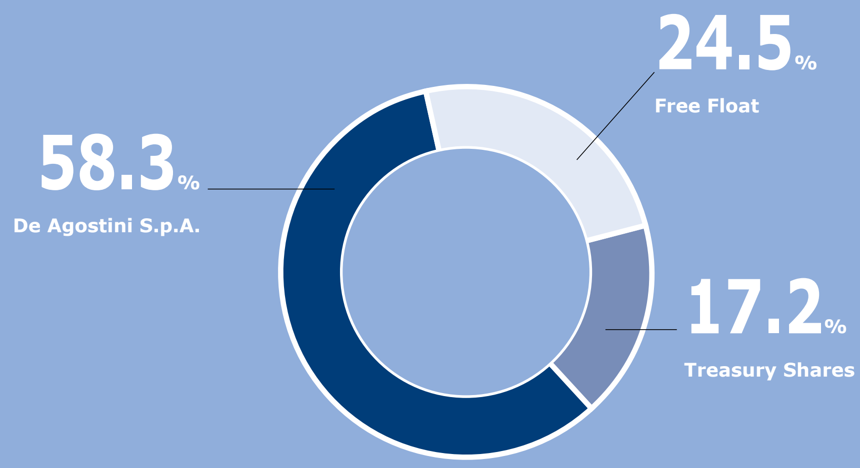
- minority shareholding (9.7% of total shares issued) in **IDeaMI** SPAC as sponsor, which is engaged in researching and selecting medium-sized, unlisted Italian companies with high value-creation potential with which to carry out a business combination within 24 months of listing (December 2017).

At 31 December 2018, the corporate structure of the Group headed by DeA Capital S.p.A. (the DeA Capital Group, or the Group) was as summarised below:



Information

SHAREHOLDER STRUCTURE – DEA CAPITAL S.P.A. (#)



(#) Figures at 31 December 2018
Notes: As at 7 March 2019, there were 47,367,141 treasury shares (15.4%)

Plan to restore "STAR" free float for DeA Capital S.p.A.

Following the purchase of treasury shares and the accrual of double voting rights on shares held by the Parent Company De Agostini S.p.A., DeA Capital S.p.A. free float fell below the minimum threshold set by the Instructions to the Regulation of the Markets organised and managed by Borsa Italiana for the permanence of the Company in the STAR segment of the Electronic Stock Market. For the purpose of restoring the aforementioned threshold, on 8 November 2018, the Company's Board of Directors approved a solution articulated as follows:

(i) waiver by the Parent Company De Agostini S.p.A. of increased voting rights on 50% of the shares owned; and
(ii) annulment of 40,000,000 portfolio treasury shares (with consequent share capital reduction of EUR 40 million). The latter operation is also part of the perspective of eliminating own shares that are no longer functional to the needs of the Company. The aforementioned proposal for annulment of 40,000,000 treasury shares is expected to be submitted to the Shareholders for consideration at the Extraordinary Shareholders' Meeting called to approve the Annual Financial Statements for the year ended 31 December 2018.

The Parent Company De Agostini S.p.A. has already renounced, by means of the communication received on 8 November 2018, the voting right plus 50% of the shares held, and has pledged to vote in favour of the proposal for annulment of 40,000,000 treasury shares. It is noted that the aforementioned annulment has no economic/equity effects on the Net Profit/Loss, Total NAV, NAV per Share of the Company and Net Financial Position.

for shareholders

Performance of the DeA Capital share

With reference to performance in 2018, the Company's share price rose by +0.3%. In the same period, the FTSE All-Share® TR and LPX Composite® TR recorded performances of -13.9% and -9.6% respectively. From 1 October 2014, (the closing date for the sale of the investment in GDS) to 31 December 2018, the DeA Capital share achieved a performance of +31.9%, while the Italian FTSE All-Share® TR index was +5.0% and the LPX Composite® TR index was +33.6% (source: Bloomberg).

The share's liquidity was slightly lower than in 2017, with average daily trading volumes of 280,000 shares.

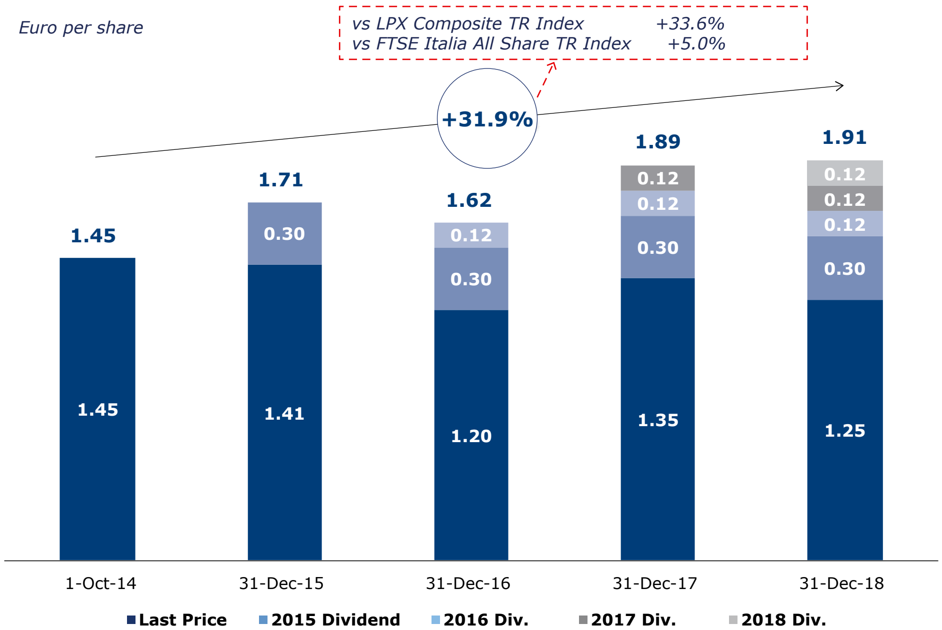
The share prices recorded by the DeA Capital share in 2018 are shown below, adjusted by the extraordinary dividend amount – EUR 0.12 per share – distributed in May 2018.

Figures in EUR	1° Jan./31 Dec. 2018
Maximum price	1.47
Minimum price	1.20
Average price	1.30
Price at 31 December 2018 (Eur/azione)	**1.25**

(EUR million)	31 Dec. 2018
Market capitalisation at 31 December 2018	**317**

TOTAL SHAREHOLDER RETURN - DEA CAPITAL S.P.A.

(Base 1.10.2014, closing date for the sale of GDS)



For further info:
www.deacapital.com
section: *Investor Relations*

Investor Relations

DeA Capital S.p.A. maintains stable and structured relationships with institutional and individual investors. In 2018, the Company increased its **communications activities** by participating in various events and roadshows: the Milan STAR Conference in March, the "Le Eccellenze del Made in Italy" event in Genoa in May, roadshows in Dublin and London in June and the STAR Conference in London in October. The Company met with over 40 institutional investors at these events. During the year, the Company also held meetings and conference calls with institutional investors, portfolio managers and financial analysts from Italy and abroad.

Research coverage of the share is currently carried out by Equita SIM and Intermonte SIM, the two main intermediaries on the Italian market, with Intermonte SIM acting as a specialist. In addition, since the beginning of 2015, coverage of the share has also been carried out by Edison Investment Research, an independent equity research company based in London. In 2018, Edison research relating to DeA Capital S.p.A. was read by around 5,500 institutional investors and analysts in more than 44 countries in Europe, North America, Asia, Australia and the rest of the world. The research carried out by these intermediaries is available in the Investor Relations/Analyst Coverage section of the website www.deacapital.com.

In December 2008, the DeA Capital share joined the LPX® **indices**, specifically the LPX Composite® and LPX Europe®. The LPX® indices measure the performance of the main listed companies operating in private equity (Listed Private Equity, or LPE) and, thanks to the strong diversification by region and type of investment, have become one of the most popular benchmarks for the LPE asset class. The method used to construct the indices is published in the LPX Equity Index Guide. For further information, please visit the website: www.lpx.ch.

The DeA Capital S.p.A. **website** is available at www.deacapital.com in Italian and English. The site has a wealth of information, financial data, tools, documents and news related to the DeA Capital Group's activities, strategy and Investment Portfolio. The social networks where DeA Capital S.p.A. has a presence can also be accessed from the homepage; while articles, communications and interesting sections can also be shared on social media. DeA Capital S.p.A. has strengthened its presence on Wikipedia and the social networks Slideshare and LinkedIn, adding its most recent documents, such as reports and presentations, for institutional investors.

DeA Capital S.p.A. also publishes an **interactive report** containing the annual financial results. These are available from the "Annual and quarterly reports" section of the website.

The website continues to be the main tool for sharing information with investors. They can subscribe to various mailing lists and receive all news on the DeA Capital Group in a timely manner, as well as send questions or requests for information and documents to the Company's Investor Relations area, which is committed to answering queries promptly, as stated in the Investor Relations Policy published on the site.

DeA Capital Group's headquarters

For further info:
www.deacapital.com
section: *Investor Relations*

3. *Key Financials*

(Eur million)	31 Dicembre 2018	31 Dicembre 2017
Asset Under Management "AUM"	**11,881**	11,732
Fee-Paying AUM (*)	**10,457**	10,060
Management fees	**63.3**	59.8
Platform Net Operating Profit (#)	**15.3**	13.4
Group Net Profit/(Loss)	**11.1**	(11.7)
Investment portfolio	**365.4**	397.0(§)
Consolidated Net Financial Position	**148.3**	98.4(§)
Net Financial Position - Holding companies	**100.6**	61.8(§)
NAV/share (EUR)	**1.84**	1.80(§)

(*) Amount for management fees calculation
(#) Sum of the Net Operating Profit of the two asset management companies, before the impact of purchase Price Allocation ("PPA"), impairment, and other non recurring items
(§) Data at 1.1.18 "adjusted". These Reflect the "as reported" data at 31.12.17 updated with (i) the extraordinary dividend distribution of 0.12 € / share, namely total 30.5 million €, carried in may 2018 and (ii) the increase in Portfolio Investment of 0.5 million € / NAV, relating to the introduction of IFRS 15 from 1.1.2018
Data "as reported" at 31.12.17: Port. Inv. 396.5 M€; Consolid NFP. 128,9 M€; Holdings NFP 92.3 M€; NAV 1,91 €/ share.

The table below shows the change in the Group's NAV in 2018:

Change in Group NAV	Total value (EUR m)	No. shares (millions)	Value per share (EUR)
Group NAV at 31.12.2017	**489.4**	**255.7**	**1.91**
Changes in shareholders' equity due to application of IFRS 15	0.5	255.7	0.01
Extraordinary dividend distributed	(30.5)		(0.12)
Group NAV at 1.1.2018 "adjusted"	**459.4**	**255.7**	**1.80**
Purchase of treasury shares	(3.2)	(2.2)	(1.44)(*)
Treasury shares delivered under incentive plans	0.0	0.3	1.53(#)
Comprehensive income - Statement of Performance - IAS 1	10.9		
Other changes in NAV	(0.6)		
GROUP NAV AT 31.12.2018	**466.5**	**253.8**	**1.84**

(*) Average purchase price 2018
(#) Market price at the delivery date of the shares

The table below provides details of the Group's Statement of Financial Position at 31 December 2018:

	31 December 2018		1 January 2018 "adjusted"	
	M€	€/Sh.	M€	€/Sh.
Alternative Asset Management				
- DeA Capital Real Estate SGR	**140.4**	0.56	**101.2**	0.40
- DeA Capital Alternative Funds SGR	**43.4**	0.17	**39.9**	0.16
- Other (YARD, DeA Capital RE France...)	**5.6**	0.02	**6.0**	0.02
Total AAM (A)	**189.4**	**0.75**	**147.1**	**0.58**
Private Equity Investment				
- Funds - Private Equity / Real Estate	**125.0**	0.49	**170.9**	0.67
- Kenan Inv. / Migros	**19.4**	0.08	**45.6**	0.18
- Other (IDeaMI, Cellularline,...)	**31.6**	0.12	**33.4**	0.13
Total PEI (B)	**176.0**	**0.69**	**249.9**	**0.98**
Investment Portfolio (A+B)	**365.4**	**1.44**	**397.0**	**1.56**
Other net assets (liabilities)	**0.5**	0.00	**0.6**	0.00
Net Financial Position Holdings	**100.6**	0.40	**61.8**	0.24
NAV	**466.5**	**1.84**	**459.4**	**1.80**

4. Significant events during the year

The significant events that occurred in 2018 are reported below.

New Funds of the AAM Platform for around EUR 1,300 million

In 2018, the Alternative Asset Management Platform, composed of DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR, started to manage new funds with AuM for around EUR 1,300 million.

In particular, the Platform has taken over eight new real estate funds for AuM totalling approximately EUR 1,000 million (including the Tessalo fund, with Assets under Management of around EUR 200 million, dedicated to properties for clinical/RSA purposes). At the same time, the IDeA Agro fund (commitment of EUR 80 million) was launched in private equity/credit, intended for the acquisition and valorisation of farms operating in an eco-sustainable manner in Italy, and the Shipping Section (EUR 170 million) of the IDeA CCR II fund (debtor-in-possession financing) focused on corporate financing to companies operating in maritime transport. Meanwhile, further closings of the Credit and New Finance segments of the IDeA CCR II fund were finalised for approximately EUR 30 million. The transactions described brought the total commitment of this fund up to EUR 496.5 million.

Funds – Payments/Distributions

In 2018, the DeA Capital Group increased its investments with net payments totalling EUR 8.8 million (related to the funds IDeA I FoF, ICF II, ICF III, IDeA OF I, IDeA EESS, IDeA ToI, IDeA Agro, IDeA CCR I and II).

At the same time, in 2018 the DeA Capital Group received distributions (net of withholding taxes) totalling EUR 88.4 million in 2018 (relating to the IDeA I FoF, ICF II, IDeA OF I, IDeA EESS, IDeA ToI and IDeA CCR I funds).

Thus, in 2018, the private equity funds in which DeA Capital S.p.A. has invested generated a net positive cash balance of EUR 79.6 million for the portion relating to the Group.

Share buy-back plan

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 Electronic Stock Market 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.

New Performance Share Plan

April

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, in implementation of the shareholders' resolution, the Board of Directors of DeA Capital S.p.A. 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.

The shares granted due to the vesting of units will be drawn from the treasury shares already held by the Company; the granting of such shares will not therefore have a dilutive effect.

Vesting of the 2015-17 Performance Share Plan

May

In May 2018, 291,937 treasury shares (approximately 0.1% of the share capital) were granted for the DeA Capital S.p.A. 2015-17 Performance Share Plan.

Merger by incorporation of YARD in IRE

On 7 May 2018, IRE incorporated its 100% subsidiary YARD, at the same time taking the company name. YARD operates as full service provider in the real estate sector.

Distribution of the share premium reserve

On 21 May 2018, in accordance with the vote of the Shareholders' Meeting on 19 April 2018, DeA Capital S.p.A. made a partial distribution of the share premium reserve in an amount of EUR 0.12 per share, i.e. based on the total number of entitled shares, in an amount of around EUR 30.5 million.

June

Business Combination between Crescita SPAC and the Cellular Group

On 4 June 2018, the business combination was finalised between Crescita SPAC and the Cellular Group, brand holder of Cellularline and Italian leader in the development and sale of accessories for smartphones and tablets. Following the transaction, which involved the conversion into ordinary shares of 35% of the special shares held, DeA Capital S.p.A. held 3.8% of the combined entity, renamed Cellularline S.p.A. Subsequently, in the last quarter of 2018, DeA Capital S.p.A. purchased on the stock market 104,500 shares of Cellularline (equal to 0.5% of the capital), for EUR 0.8 million, increasing its own shareholding up to 4.3%. Purchases continued in the first few months of 2019, increasing the figure up to 4.4% (for an outlay of a further EUR 0.2 million).

Dividends from Alternative Asset Management

In 2018, the Alternative Asset Management business distributed dividends to the DeA Capital Group's holding companies totalling EUR 7.5 million (EUR 5.4 million in 2017), broken down as follows: EUR 4.8 million to DeA Capital Real Estate (pro-rata share of the total EUR 7.4 million), EUR 2.5 million to DeA Capital Alternative Funds (100% of the dividends approved) and EUR 0.2 million to YARD (pro-rata share of the total EUR 0.4 million).

September

Incorporation of DeA Capital Real Estate France

Within the framework of the strategy for the development of Alternative Asset Management, on 21 September 2018 the establishment was finalised of DeA Capital Real Estate France SAS, a company incorporated under French law, 70% 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 French market, with particular focus on the core+, value-add and opportunistic segments.

Through this initiative, DeA Capital S.p.A. initiated the creation of a pan-European real estate platform – through subsidiaries of the Group and, as a strategic orientation, invested in by local senior management teams – which can accompany Italian investors in initiatives outside national borders, as well as attract international investors with a pan-European focus.

November

Acquisition of minority shares in DeA Capital Real Estate SGR

As part of the development strategy for Alternative Asset Management, in November 2018, the acquisition was finalised of minority shares of DeA Capital Real Estate SGR, for 29.73% of the company's share capital, for around EUR 40 million (in addition to an earn-out of EUR 2.9 million to be paid upon reaching certain targets for new assets under management). Following this transaction, the DeA Capital Group increased its shareholding up to 94.03% in the capital of the management company.

After the end of the year, 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 to 100% in the capital of DeA Capital Real Estate SGR.

December

Sale of SPC to YARD

In the context of the consolidation of the YARD Group non-performing loan management services, on 20 December 2018 the sale was finalised by DeA Capital Partecipazioni in YARD of the entire stake held in the capital of SPC (100%), for an amount slightly higher than the book value.

5. Results of the DeA Capital Group

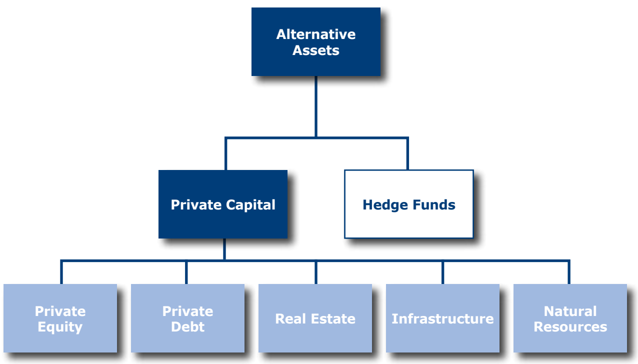
The consolidated results for the period relate to the operations of the DeA Capital Group in the following businesses:

- Alternative Asset Management, which includes the reporting units dedicated to asset management activities and related services, with a focus on the management of private equity and real estate funds.

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

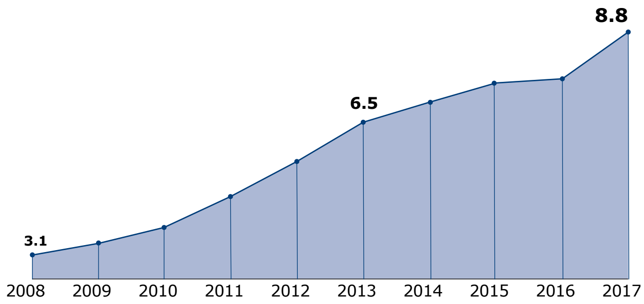
Evolution in the reference market of Alternative Asset Management

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



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

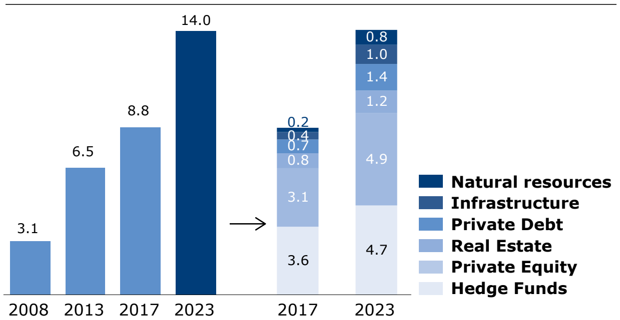
***Alternative assets under management* worldwide** (trillion US$)



Source: Preqin

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

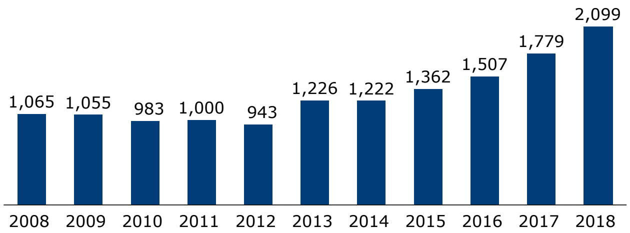
Global growth estimate of Alternative AUMs at 2023 (trillion US$)



Source: Preqin

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

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



SOURCE: Preqin

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

The Private Equity market worldwide and in Italy

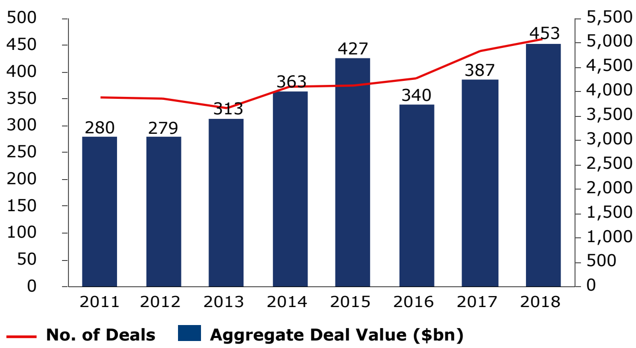
Brexit, the volatility of financial markets in the last quarter of the year, the planned increase in interest rates by the FED and the interruption of quantitative easing by the ECB, the geopolitical uncertainty related to the US trade war with China, the outcomes of which are still far from obvious,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

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

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

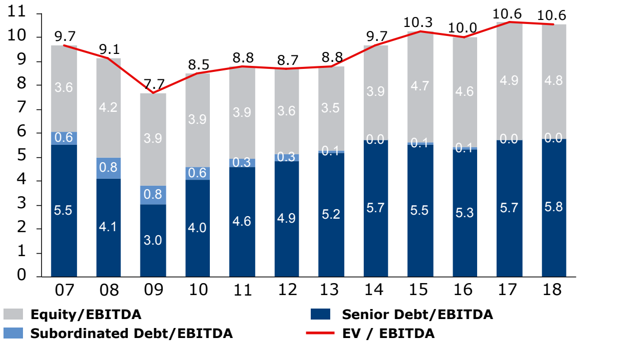
The numbers recorded in the market endorse these concerns: in 2018, more investments were concluded, for the third consecutive year, for an aggregate value of USD 453 billion, against USD 387 billion in the previous year, with an increase of over 15%. This happens in a context in which multiples continue to be very high (10.6x the average recorded in American buyout transactions in 2018, substantially stable to the figure recorded in 2017). With regard to the financial structure of the transactions, however, the level of equity used in both the United States and Europe has risen slightly compared with recent years, and with pre-Lehman levels in particular, and seems to have stabilised at around 45%.

Global value of Private equity investments (USD billion)



Source: Preqin - February 2019

Prices and financial structures of buyout transactions (USD billion)

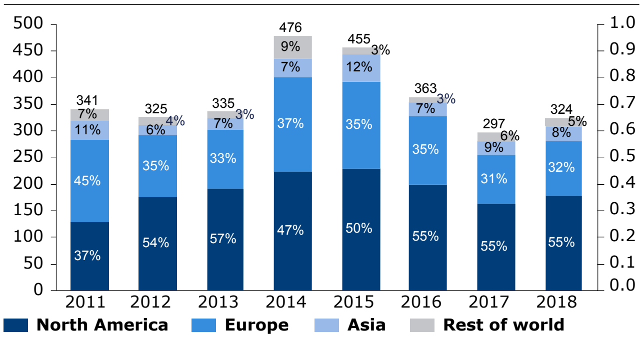


Source: S&P LCD US Leveraged Buyout Review 4Q 2018

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

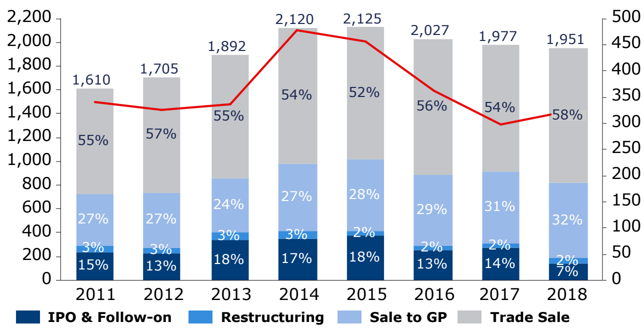
The main and biggest transactions have taken place in the US market, with a significant proportion in the pharmaceutical/medical, industrial and IT sectors, which together accounted for around 45% of all transactions in 2018.

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



Source: Preqin - February 2019

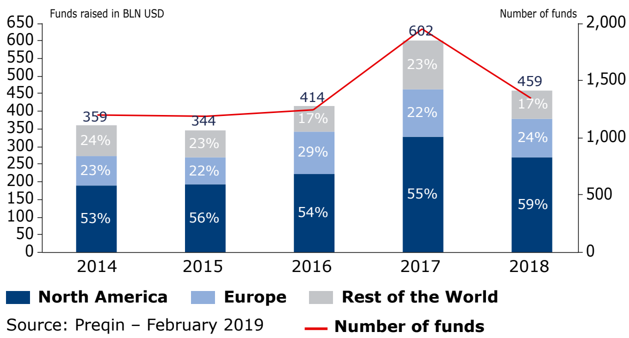
Number and value of divestments of butout funds by exit type (2011-2018) (USD billion)



Source: Preqin - February 2019

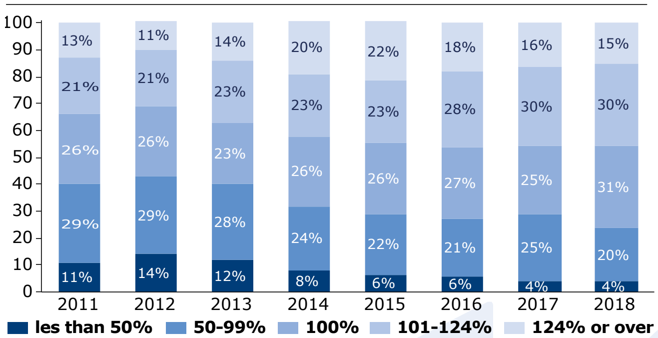
Led by the North American market, there was an increase in disinvestment activities, which after three consecutive years of slowdown closed 2018 with an aggregate exit value of USD 324 billion compared to USD 297 billion in 2017 (approximately +10%). This trend reversal compared to the previous years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

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



Source: Preqin – February 2019

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



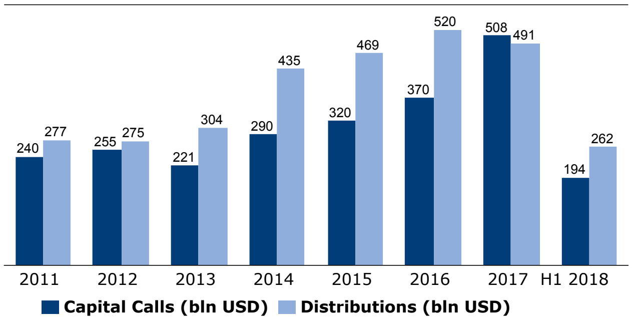
Source: Preqin – February 2019

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

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

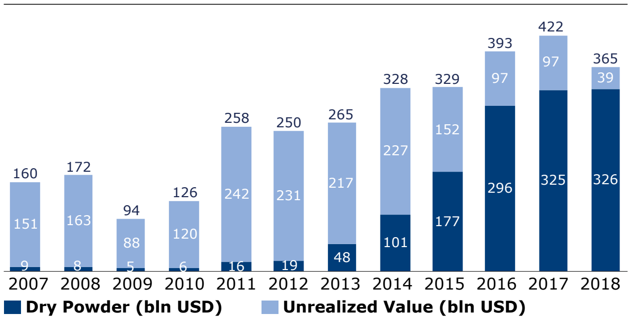
At geographical level, as always, the North American market dominates, which during the year saw aggregate funding of approximately USD 270 billion, equal to 59% of global funding. Instead, the gap between the American and European markets widens: aided by the climate of instability caused by Brexit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

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



Source: Preqin – February 2019

AUM Private Equity by vintage (USD billion)



Source: Preqin – February 2019

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

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

Prices recorded a slight reduction, reaching an average discount of 8% for all strategies, against 7% the previous year. The expectations for 2019 are consistent with what occurred in 2018, with volumes of transactions increasing and prices stable or slightly up thanks to the high level of capital to be used in this strategy, with a dry powder of around USD 192 billion.

In conclusion, as is customary, we identify the potential investment themes associated with market conditions as follows:

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

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

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

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

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

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

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

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

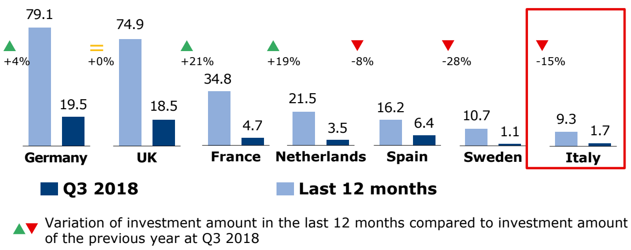
The Real Estate market in Europe and Italy

Real Estate in Europe

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

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

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



Source: CBRE

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

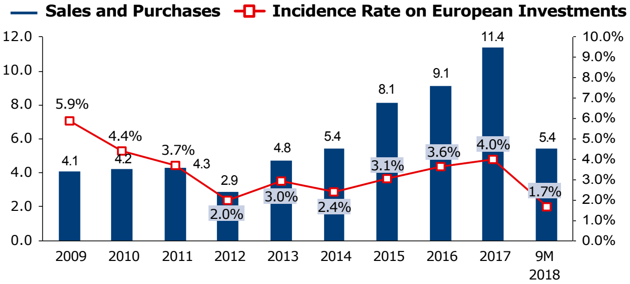
In the same period, the retail sector recorded EUR 10.8 billion of transactions, or about 16% of total transactions, while the residential sector recorded EUR 8.4 billion of transactions, equal to about 12% of the total transacted. In the industrial-logistics sector, EUR 7.2 billion was invested, representing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

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

Real Estate in Italy

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

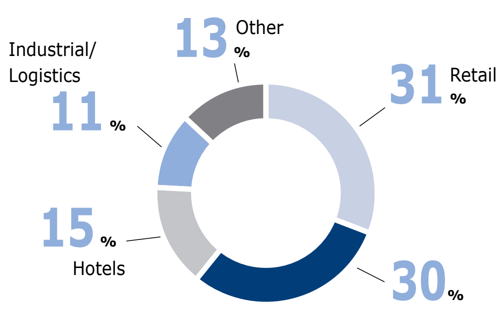
Sales and Purchases Trend of non-residential properties in Italy and incidence on European (EUR million, %)



Source: CBRE data revised by Dea Capital

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

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



Source: CBRE

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

Taking the real estate market as a whole, the latest figures provided by the Osservatorio sul Mercato Immobiliare (OMI) of the Italian Land Agency indicate that the Italian real estate market, with a normalised number of transactions of 168,778 in the third quarter of 2018, shows signs of strengthening, recording general growth in all sectors.

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

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

Real Estate funds in Italy

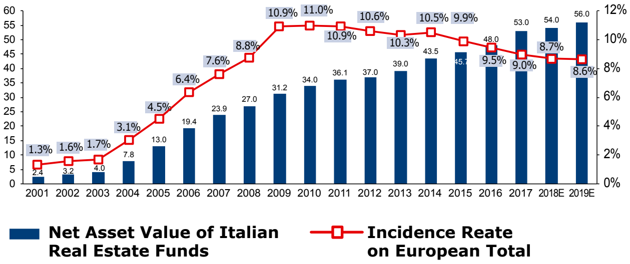
The Italian real estate market is recovering and the real estate fund sector is continuing to grow significantly. According to Scenari Immobiliari, based on closing balance sheet estimates, the net asset value (NAV) should reach EUR 54 billion in 2018, a rise of 2% on the previous year.

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

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

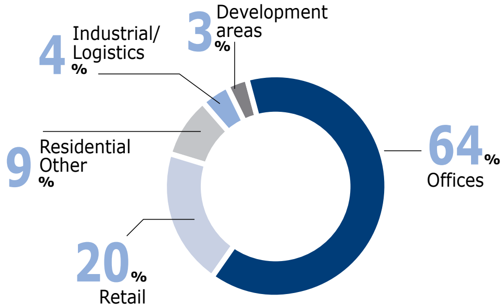
4 Loan to Value (LTV) in December 2017. The LTV is calculated as the ratio between debt and real estate assets.

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



Source: Scenari Immobiliari

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



Source: Scenari Immobiliari

Performance of the non-performing loans market

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

With regard to credit management, the increase in the volume of portfolios being sold by the banking sector to investors and strategic outsourcing platforms is driving the sector to continuously evolve and market leaders to gain market shares.

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

Alternative Asset Management

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

DeA Capital Alternative Funds SGR

DEA CAPITAL ALTERNATIVE FUNDS SGR

REGISTERED OFFICE:
Italy

SECTOR:
Alternative Asset Management - Private Equity

WEBSITE:
www.deacapitalaf.com

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

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

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

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

Asset under management:

2.4 billion Euro

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

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

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

DEA CAPITAL REAL ESTATE SGR follows >>

INVESTMENT DETAILS:

DeA Capital Real Estate SGR is the largest independent real estate asset management company in Italy, with around EUR 9.5 billion in Assets under Management and 47 managed funds (including 2 listed funds). This makes it a benchmark operator for Italian and international institutional investors in the promotion, creation and management of mutual real estate investment funds.
The company has concentrated investments in transactions with low risk, stable returns, low volatility and, most importantly, an emphasis on property value. In particular, the asset management company specialises in "core" and "core plus" properties, although its major investments also include "value added" transactions.

Due in part to successful transactions concluded in recent years, the asset management company is able to rely on a panel of prominent unit-holders consisting of Italian and international investors of high standing, such as pension funds, banking and insurance groups, companies and sovereign funds.

The following table shows the value of Assets under Management, Fee-Paying AuM and management fees:

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

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

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

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

REGISTERED OFFICE:
Italy

SECTOR:
Alternative Asset Management - Real Estate

WEBSITE:
www.deacapitalre.com

Asset under management:

9.5 billion Euro

DEA CAPITAL REAL ESTATE SGR

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

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

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

Private Equity Investment

Funds

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

- the IDeA OF I fund (fully consolidated in accordance with IFRS 10);
- the Venere real estate fund and the IDeA EESS fund, classified under Investments in associates, based on the units held;
- three funds of funds (IDeA I FoF, ICF II and ICF III), four thematic funds (IDeA ToI, IDeA Agro, IDeA CCR I and IDeA CCR II), six venture capital funds and the Santa Palomba real estate fund.

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

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

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

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

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

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

IDeA I FoF

IDEA I FUND OF FUNDS

REGISTERED OFFICE:
Italy

SECTOR:
Private Equity

WEBSITE:
www.deacapitalaf.com

Fund size:

646 million Euro

INVESTMENT DETAILS:

IDeA I FoF is a closed-end fund under Italian law for qualified investors, which began operations on 30 January 2007 and is managed by DeA Capital Alternative Funds SGR.

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

BRIEF DESCRIPTION:

IDeA I FoF invested its assets in units of unlisted closed-end funds that are mainly active in the local private equity sector in various countries. It optimises the risk-return profile through the careful diversification of assets among managers with a proven track record of returns and solidity, different investment approaches, geographical areas and maturities.

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

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

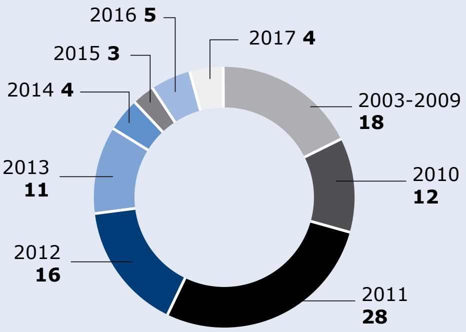
The funds are diversified in the buyout (control) and expansion (minorities) categories, with overweighting towards medium- and small-scale transactions and special situations (distressed debt/equity and turnaround).

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

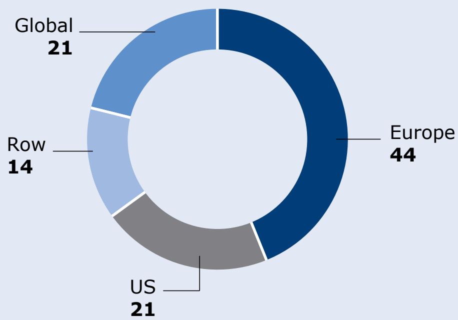
OTHER IMPORTANT INFORMATION:

Below is an analysis of the portfolio, at the date of the latest report available, broken down by year of investment, geographical area, sector and type of underlying fund.

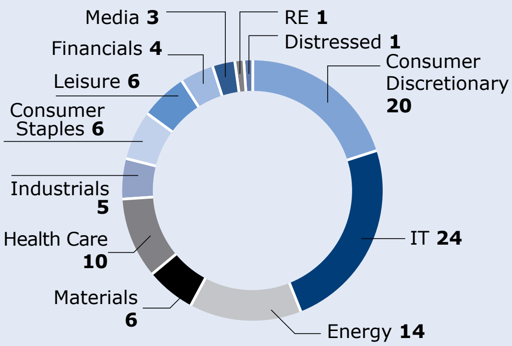
Breakdown by year of investment[1] (%)



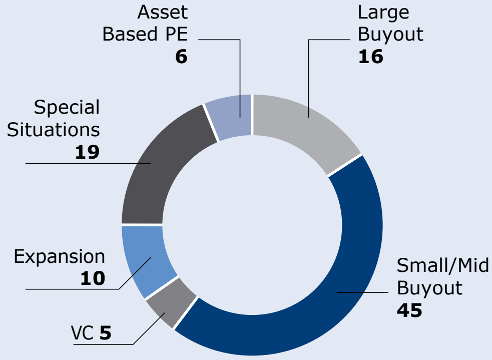
Breakdown by Geographic Area[2] (%)



Breakdown by Sector[1] (%)



Breakdown by Strategy[2] (%)



Notes:
1. % of the FMV of the investment.
2. % of fund size based on paid-in exposure (capital invested + residual commitments).

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

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

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

ICF II

REGISTERED OFFICE:
Italy

SECTOR:
Private Equity

WEBSITE:
www.deacapitalaf.com

Fund size:

281 million Euro

INVESTMENT DETAILS:

ICF II is a closed-end fund under Italian law for qualified investors, which began operations on 24 February 2009 and is managed by DeA Capital Alternative Funds SGR.

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

BRIEF DESCRIPTION

ICF II, with total assets of EUR 281 million, invested in units of unlisted closed-end funds that are mainly active in the private equity sector of various countries. It optimises the risk-return profile through the careful diversification of assets among managers with a proven track record of returns and solidity, different investment approaches, geographical areas and maturities.

The fund started building its portfolio by focusing on funds in the area of mid-market buyouts, distressed and special situations, loans, turnarounds and funds with a specific sector slant, targeting, in particular, opportunities offered in the secondary market.

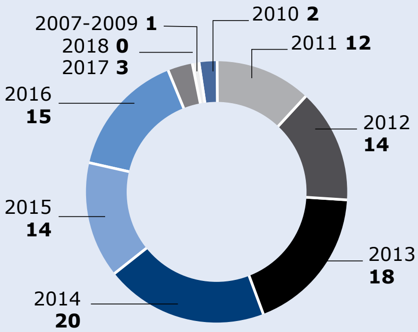
Based on the latest report available, the ICF II portfolio was invested in 27 funds with different investment strategies; these funds in turn hold positions, with varying maturities, in around 377 companies active in various geographical areas.

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

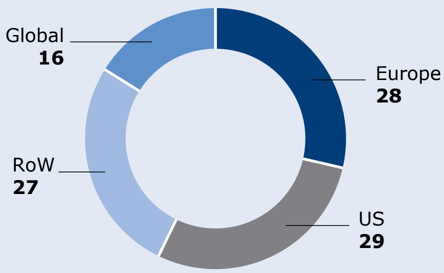
OTHER IMPORTANT INFORMATION:

Below is an analysis of the portfolio, at the date of the latest report available, broken down by year of investment, geographical area, sector and type of underlying fund.

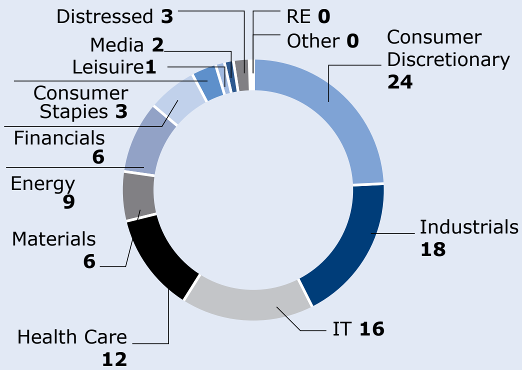
Breakdown by Year of Investment[1] (%)



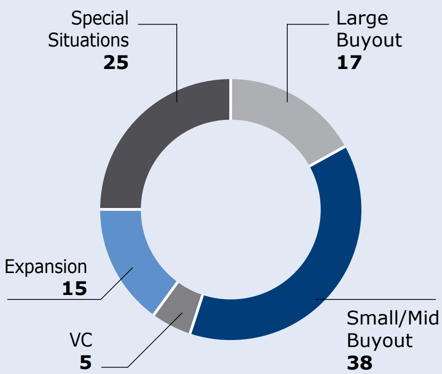
Breakdown by Geographic Area[2] (%)



Breakdown by Sector[1] (%)



Breakdown by Strategy[2] (%)



Notes:
1. % of the FMV of the investment;
2. % of fund size based on paid-in exposure (capital invested + residual commitments).

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

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

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

ICF III

REGISTERED OFFICE:
Italy

SECTOR:
Private Equity

WEBSITE:
www.deacapitalaf.com

Fund size:

67 million Euro

INVESTMENT DETAILS:

ICF III is a closed-end fund under Italian law for qualified investors, which began operations on 10 April 2014 and is managed by DeA Capital Alternative Funds SGR.

DeA Capital S.p.A. has a total commitment of up to EUR 12.5 million in the fund.

BRIEF DESCRIPTION

ICF III, with total assets of approximately EUR 67 million, intends to invest its assets in units of closed-end private equity funds or in schemes that replicate that financial model, either as the lead investor or with other co-investors.

The fund is divided into three parts:

- **Core**, with a focus on buyouts, expansion capital and special situations;
- **Credit & Distressed**, which invests in special credit operations (preferred equity, mezzanine, senior loans), turnarounds and other credit strategies;
- **Emerging Markets**, which focuses on expansion capital, buyouts, distressed assets and venture capital operations in emerging markets.

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

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

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

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

IDEA OPPORTUNITY FUND I follows >>

DEA CAPITAL
ALTERNATIVE FUNDS SGR

INVESTMENT DETAILS:

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

DeA Capital S.p.A. has a total commitment of up to EUR 101.8 million in the fund.

BRIEF DESCRIPTION

IDeA OF I has total assets of approximately EUR 217 million. Its objective is to invest, independently or via syndicates with a lead investor, by purchasing qualified minority interests.

At 31 December 2018, IDeA OF I had called up 86.4% of the total commitment and distributed 86.4% of that commitment, after making nine investments (of which two were still in the portfolio at that date).

SIGNIFICANT EVENTS IN 2018

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

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

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

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

REGISTERED OFFICE:

Italy

SECTOR:

Private Equity

WEBSITE:

www.deacapitalaf.com

Fund size:

217 million Euro

IDeA OF I

IDEA OPPORTUNITY FUND I

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

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

(EUR million)	Industry	% share	Investment date	100%	DeA Capital
Portfolio participations					
Iacobucci HF Electronics	Aircraft furnishing and coffee machines	34,9%	September 11, 2012	6,0	2,8
Pegaso Transportation Investments (Talgo)	Rail market	2,5%	October 8, 2012	17,5	8,2
Total portfolio participations				**23,5**	**11,0**
Other receivables				4,2	2,0
Other assets (liabilities)				(0,1)	0,0
Cash and cash equivalents				4,7	2,2
Total Net Equity				**32,3**	**15,2**

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

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

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

DEA CAPITAL
ALTERNATIVE FUNDS SGR

INVESTMENT DETAILS:

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

DeA Capital S.p.A. has a total commitment of up to EUR 30.4 million in the fund.

BRIEF DESCRIPTION

IDeA EESS, which has total assets of EUR 100 million, is a closed-end mutual fund under Italian law for qualified investors, which seeks to acquire minority and controlling shareholdings in unlisted companies in Italy and abroad.

The fund is dedicated to investing in small and medium-sized manufacturing and service companies operating in the field of energy saving and the efficient use of natural resources. It focuses on the development of solutions that make faster and cheaper use of renewable energy sources without compromising effectiveness in reducing CO_2 emissions.

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

Significant events in 2018

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

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

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

REGISTERED OFFICE:

Italy

SECTOR:

Private Equity

WEBSITE:

www.deacapitalaf.com

Fund size:

100 million Euro

IDeA EESS

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

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

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

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

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

DEA TASTE OF ITALY (TOI)

DeA Capital
Alternative Funds SGR

INVESTMENT DETAILS:

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

DeA Capital S.p.A. has a total commitment of up to EUR 25.2 million in the fund.

BRIEF DESCRIPTION

IDeA ToI, which has total assets of EUR 218.1 million, is a closed-end mutual fund under Italian law for qualified investors, which seeks to acquire minority and controlling interests mainly in small and medium-sized enterprises in Italy, either independently or with other co-investors. The fund invests in companies operating in the agricultural foods sector, especially in areas involved in the production and distribution of foodstuffs and in secondary (processed) products or related services.

At 31 December 2018, IDeA ToI had called up 61.8% of the total commitment and distributed 47.8% of that commitment, after making five investments.

Significant events in 2018

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

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

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

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

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

REGISTERED OFFICE:
Italy

SECTOR:
Private Equity

WEBSITE:
www.deacapitalaf.com

Fund size:

218 million Euro

IDEA AGRO

DEA CAPITAL
ALTERNATIVE FUNDS SGR

REGISTERED OFFICE:
Italy

SECTOR:
Private Equity

WEBSITE:
www.deacapitalaf.com

INVESTMENT DETAILS:

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

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

BRIEF DESCRIPTION

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

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

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

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

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

Fund size:

80 million Euro

IDEA CORPORATE CREDIT RECOVERY I (IDEA CCR I)

DEA CAPITAL
ALTERNATIVE FUNDS SGR

INVESTMENT DETAILS:

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

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

BRIEF DESCRIPTION

IDeA CCR I, which has total assets of EUR 221.8 million at 31 December 2018, is a closed-end mutual fund under Italian law for qualified investors, which aims to help relaunch medium-sized Italian companies that are facing financial difficulties but have solid business fundamentals (Target Companies). It shares the profits between creditors and new investors through:

- proactive management of loans to the Target Companies;
- potential investments to be carried out via debtor-in-possession financing transactions, which means that the new investments have greater seniority than existing financial debt;
- equity-style involvement in the management of debtor companies.

The fund is divided into two sub-funds:

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

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

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

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

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

REGISTERED OFFICE:
Italy

SECTOR:
Private Equity

WEBSITE:
www.deacapitalaf.com

Fund size:

222 million Euro

IDEA CORPORATE CREDIT RECOVERY II (IDEA CCR II)

DEA CAPITAL
ALTERNATIVE FUNDS SGR

REGISTERED OFFICE:
Italy

SECTOR:
Private Equity

WEBSITE:
www.deacapitalaf.com

Fund size:

497 million Euro

INVESTMENT DETAILS:

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

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

BRIEF DESCRIPTION

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

The fund is divided into three parts:

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

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

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

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

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

Venture capital funds

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

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

Venture Capital Funds Dollars (USD)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in the fund
Doughty Hanson & Co Technology	UK EU	2004	271.534.000	1.925.000	0,71
GIZA GE Venture Fund III	Delaware U.S.A.	2003	211.680.000	10.000.000	4,72
Israel Seed IV	Cayman Islands	2003	200.000.000	5.000.000	2,50
Pitango Venture Capital III	Delaware U.S.A.	2003	417.172.000	5.000.000	1,20
Total Dollars				**21.925.000**	
Euro (€)					
Nexit Infocom 2000	Guernsey	2000	66,325,790	3,819,167	5.76
Pounds sterling (GBP)					
Amadeus Capital II	UK EU	2000	235,000,000	13,500,000	5.74
Residual Commitments					
Total residual commitment in:		**Euro**		**3,260,078**	

Equity investments

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

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

The DeA Capital Group is also a shareholder in other smaller companies which are not included in the investment portfolio, as they are either dormant or in liquidation and have a zero carrying value.

KENAN INVESTMENTS (HOLDER OF A SHAREHOLDING IN MIGROS)

INVESTMENT DETAILS:

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

BRIEF DESCRIPTION

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

Migros is present in all seven regions of Turkey, and has a marginal presence in Kazakhstan and Macedonia.

The company operates under the following names: Migros and Macrocenter (supermarkets), 5M (hypermarkets), Ramstore (supermarkets abroad) and Kangurum (online store).

Growth in the large-scale retail sector in Turkey is a relatively recent phenomenon, brought about by the transition from traditional systems such as bakkals (small stores typically run by families) to an increasingly widespread organised distribution model.

The stake in Kenan Investments (indirectly corresponding to approximately 4.0% of Migros' capital, i.e. 23.2% of Migros' capital via the Group's investment in Kenan Investments) is recorded in the Consolidated Financial Statements at 31 December 2018 at EUR 19.4 million (compared with EUR 45.6 million at 31 December 2017).

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

REGISTERED OFFICE:

Turkey

SECTOR:

Large-scale retail

WEBSITE:

www.migros.com.tr

Leader in the food retail sector in Turkey

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

Consolidated Income Statement

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

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

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

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

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

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

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

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

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

Summary Group Income Statement

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

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

Performance by business in 2018

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

Performance by business in 2017

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

Comprehensive Income – Statement of Performance (IAS 1)

Comprehensive Income or the Statement of Performance (IAS 1), in which performance for the period attributable to the Group is reported including results posted directly to shareholders' equity, reflects a net positive balance of EUR 10.9 million substantially due to the Net Profit for the period.

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

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

Consolidated Statement of Financial Position

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

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

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

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

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

Consolidated Net Financial Position

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

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

The Company believes that the cash and cash equivalents and the other financial resources available are sufficient to meet the requirement relating to payment commitments already subscribed to in funds, also taking into account the amounts expected to be called up/distributed by these funds. With regard to these residual commitments, the Company believes that the resources currently available, as well as those that will be generated by its operating and financing activities, will enable the DeA Capital Group to meet the financing required for its investment activity and to manage working capital.

6. Results of the Parent Company DeA Capital S.p.A.

The Parent Company DeA Capital S.p.A. operates as a holding company that carries out the coordination, development and strategic management activities of its subsidiaries. It also acts as an entity that makes financial investments directly.

A summary of the Income Statement and the Statement of Financial Position of DeA Capital S.p.A. for the year ended 31 December 2018 is shown below.

Income Statement of the Parent Company

(EUR)	Financial Year 2018	Financial Year 2017
Other investment income/expense	23,905,019	(34,446,158)
Income from services	2,594,113	3,171,961
Other revenues and income	85,548	956
Other costs and charges	(8,318,732)	(8,498,584)
Financial income and loss	124,007	64,790
PROFIT/(LOSS) BEFORE TAX	**18,389,955**	**(39,707,035)**
Income tax	(1,086,104)	2,759,801
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**17,303,851**	**(36,947,234)**
Profit (Loss) from discontinued operations/held-for-sale assets	0	346,691
PROFIT/(LOSS) FOR THE YEAR	**17,303,851**	**(36,600,543)**

The Parent Company reported Net Profit of EUR 17.3 million for 2018 (compared to a loss of EUR -36.6 million in 2017). The profit accrued in 2018 largely reflects the revaluation of IDeA Opportunity Fund I (EUR +26.8 million) following the results achieved in the year for the sale of the investment in Corin), while the figure reported in 2017 was attributable to the impairment of the goodwill of DeA Capital Real Estate SGR, which led to the adjustment of the value of the investment in the Parent Company's financial statements.

Statement of Financial Position of the Parent Company

The Parent Company's Statement of Financial Position at 31 December 2018, compared with 31 December 2017, is shown below.

(EUR thousand)	31.12.2018	1.1.2018 (*)	31.12.2017
ASSETS			
Non-current assets			
Intangible and tangible assets			
Intangible assets	0	2,129	2,129
Tangible assets	104,843	210,600	210,600
Total intangible and tangible assets	*104,843*	*212,729*	*212,729*
Investments			
Subsidiaries and joint ventures	212,907,710	175,187,744	175,187,744
Associates	11,187,597	18,953,485	18,953,485
Available-for-sale investments	0	0	78,898,520
Other Investments at Fair Value through P&L	50,912,374	78,898,520	0
Available-for-sale funds	0	0	126,614,722
Funds at Fair Value through P&L	98,668,127	126,614,722	0
Total Investments	*373,675,808*	*399,654,471*	*399,654,471*
Other non-current assets			
Deferred tax assets	0	0	0
Total other non-current assets	*0*	*0*	*0*
Total non-current assets	**373,780,651**	**399,867,200**	**399,867,200**
Current assets			
Trade receivables	310,122	757,535	757,535
Financial receivables	1	1	1
Tax receivables from Parent companies	0	900,043	900,043
Other tax receivables	3,590,820	719,662	719,662
Other receivables	495,382	512,666	512,666
Cash and cash equivalents	100,732,781	90,244,529	90,244,529
Total current assets	*105,129,106*	*93,134,436*	*93,134,436*
Total current assets	**105,129,106**	**93,134,436**	**93,134,436**
Held-for-sale assets	**0**	**0**	**0**
TOTAL ASSETS	**478,909,757**	**493,001,636**	**493,001,636**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	**475,073,768**	**490,574,012**	**490,574,012**
Shareholders' equity			
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	0	0	0
Provisions for employee termination benefits	318,288	320,572	320,572
Total non-current liabilities	**318,288**	**320,572**	**320,572**
Current liabilities			
Trade payables	1,259,579	1,023,776	1,023,776
Payables to staff and social security organisations	830,258	821,314	821,314
Tax payables to parent company	1,132,133	0	0
Current tax payables	63,926	63,926	63,926
Other tax payables	214,990	187,678	187,678
Other payables	16,815	10,358	10,358
Total current liabilities	**3,517,701**	**2,107,052**	**2,107,052**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**478,909,757**	**493,001,636**	**493,001,636**

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

At 31 December 2018, the Parent Company's shareholders' equity totalled about EUR 475.1 million compared with EUR 490.6 million at 31 December 2017, a change of about EUR -15.5 million. This was mainly due to the partial distribution of the share premium reserve (EUR -30.5 million), the effects of movements of treasury shares (EUR -3.2 million) and the profit result of the year.

Pursuant to the Consob Communication of 28 July 2006, a reconciliation between Shareholders' Equity and Net Profit/Loss at 31 December 2017 reported by the Parent Company DeA Capital S.p.A. is shown below, together with the corresponding consolidated figures.

(EUR thousand)	**Equity at 31.12.2018**	**"Net Profit/ (loss) 2018"**	**Equity at 31.12.2017**	**"Net Profit/ (loss) 2017"**
Equity and Net Profit/(Loss) for the year, as reported in the Parent Company financial statement	**475,074**	**17,304**	**490,574**	**(36,601)**
- *Surplus of net equity reported in financial statements compared to book values of shareholdings in consolidated companies*	(8,593)	0	(1,143)	0
- Pro-rata results achieved by shareholdings	-	39,544	0	(14,599)
- Elimination of dividends received by shareholdings	-	(4,729)	0	(3,712)
- Pro-rata results achieved by associated companies, valued as Shareholders' Equity	-	737	0	3,373
- Elimination of revaluation / impairment of investments in DeA Capital S.p.A.	-	(34,065)	0	39,271
- Elimination of dividend received from DeA Capital S.p.A.	-	(7,721)	0	(12,152)
- Elimination of results from disposal of investments in DeA Capital S.p.A.	-	0	0	12,768
Consolidated Financial Statement - Group	**466,481**	**11,070**	**489,431**	**(11,652)**
Consolidated Financial Statement - Third parties	**39,299**	**30,275**	**95,182**	**(13,959)**
Consolidated Financial Statement - Group and Third parties	**505,780**	**41,345**	**584,613**	**(25,611)**

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

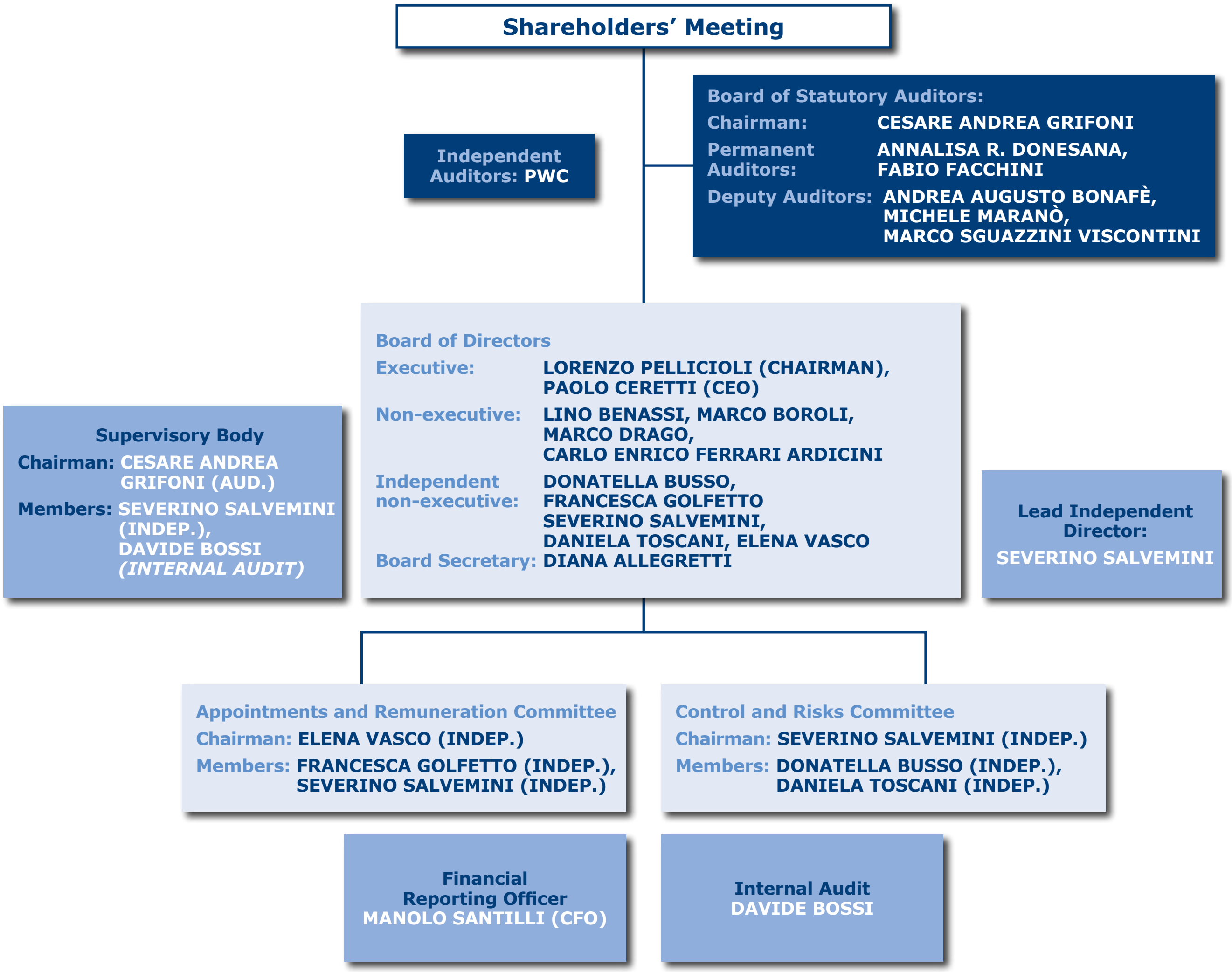
- The **Board of Directors** consists of 11 members, 9 of whom are non-executive directors, and 5 of whom are independent directors. It plays a key role in the corporate governance system of DeA Capital S.p.A. In particular, it has the power and duty to manage the operations of the Issuer with the ultimate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

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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.

8. Proposal to approve the Annual Financial Statements of DeA Capital S.p.A. at 31 December 2018 and the partial distribution of the share premium reserve

Dear Shareholders,

In submitting the Annual Financial Statements at 31 December 2018 for your approval, the Board of Directors proposes that you pass the following resolutions:

"The DeA Capital S.p.A. Ordinary Shareholders' Meeting,

- after reviewing the Draft Financial Statements for the year ending 31 December 2018, which show a profit of EUR 17,303,851 (loss of EUR 36,600,543 in 2017);
- in acknowledgement of the Reports of the Board of Auditors and of the independent auditors, PricewaterhouseCoopers S.p.A.;
- in acknowledgement that the legal reserve is one-fifth of the share capital and that the share premium reserve of DeA Capital S.p.A. at 31 December 2018 was EUR 240,858,282;

resolves

1. to approve the Report of the Board of Directors on the Group's position and on operating performance;
2. to approve the Statement of Financial Position, Income Statement and Notes to the Financial Statements at 31 December 2018 and the related annexes;
3. to proceed with the carry forward, as a reduction of previous losses carried forward, of the profit shown in the Annual Financial Statements at 31 December 2018, amounting to EUR 17,303,851;
4. to make a partial distribution of the share premium reserve in an amount of EUR 0.12 per share;
5. to grant the Chairman of the Board of Directors Lorenzo Pellicioli and the Chief Executive Officer Paolo Ceretti broad powers to execute these resolutions, jointly or severally through their agents and in compliance with the deadlines and procedures established by law."

Milan, 7 March 2019

FOR THE BOARD OF DIRECTORS
The Chairman
Lorenzo Pellicioli

Consolidated Financial Statements at 31 December 2018

- **Consolidated Statement of Financial Position**
- **Consolidated Income Statement**
- **Consolidated Statement of Comprehensive Income**
- **Consolidated Cash Flow Statement**
- **Consolidated Statement of Changes in Shareholders' Equity**
- **Notes to the Financial Statements**

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%.

<u>With reference to the CGU, the recoverable amount is higher than the carrying amount.</u>

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%.

<u>With reference to the CGU, the recoverable amount is higher than the carrying amount.</u>

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**

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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:

(EUR thousand)	**YARD Group** **'First nine month of 2018**	**IDeA EESS** **Financial Year 2018**	**Venere** **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.

Statement of responsibilities for the Consolidated Financial Statements pursuant to art. 58/98

The undersigned, Paolo Ceretti, as Chief Executive Officer, and Manolo Santilli, as Chief Reporting Officer of DeA Capital S.p.A., hereby certify, pursuant to art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, the adequacy in relation to the characteristics of the company and the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements in 2018.

The assessment as to the suitability of the administrative and accounting procedures for preparing the Consolidated Financial Statements at 31 December 2018 was based on a process established by DeA Capital S.p.A. in keeping with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is the generally accepted reference framework at international level.

Note that in this regard, as described in the Notes to the Financial Statements, a significant portion of the assets are investments stated at fair value. Fair values were determined by directors based on their best estimates and judgement using the knowledge and evidence available at the time the financial statements were prepared. 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.

The undersigned further certify that the Consolidated Financial Statements at 31 December 2018:
- correspond to the Companies' accounting records;
- have been prepared in compliance with the International Financial Reporting Standards adopted by the European Union, and the measures issued to implement art. 9 of Legislative Decree 38/2005;
- to the best of their knowledge, provide a true and fair view of the operating performance and financial position of the issuer and the group of companies included in the scope of consolidation.

The Report on Operations contains a reliable analysis of operating performance and results and of the situation of the issuer and all companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

07 March 2019

Paolo Ceretti
Chief Executive Officer

Manolo Santilli
Manager responsible for preparing the Company's accounts

Information pursuant to art. 149-*duodecies* of the Consob Issuer Regulations

The table below was prepared in accordance with art. 149-duodecies of the Consob Issuer Regulations and reports the fees for 2018 for auditing and other services provided by the independent auditors and entities belonging to the independent auditors' network. The fees reported below do not include VAT and out-of-pocket expenses.

(EUR thousand)	Company providing the service	Beneficiary	Compensation FY 2018
Audit	PwC S.p.A.	DeA Capital S.p.A.	84
	PwC S.p.A.	DeA Capital Partecipazioni	10
	PwC S.p.A.	SPC	18
	PwC S.p.A.	DeA Capital Alternative Fund SGR	14
	PwC S.p.A.	IDeA Opportunity Fund I	18
Total			**144**

Annual Financial Statements as at 31 December 2018

- Statement of Financial Position
- Statement of Income
- Statement of Comprehensive Income
- Statement of Cash Flows
- Statement of Changes in Shareholders' Equity
- Notes to the Financial Statements

Statement of Financial Position - Parent Company

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

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

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

Statement of Income - Parent Company

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

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

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

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

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

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

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

Cash flow statement - Parent Company - Direct method

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

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

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

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

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

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

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

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

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

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

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

A. Structure and content of the Financial Statements

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

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

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

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

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

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

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

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

The Cash Flow Statement is prepared using the direct method.

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

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

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

Statement of compliance with accounting standards

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

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

Reclassification / Restatement

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

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

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

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

IFRS 9 (Financial instruments)

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

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

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

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

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

a. Classification and measurement of financial assets

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

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

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

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

1) Investment funds

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

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

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

2) Shares

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

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

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

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

3) Bonds

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

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

b. Impairment loss on trade and financial receivables

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

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

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

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

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

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

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

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

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

c. Hedge accounting

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

IFRS 15 (Revenue from contracts with customers)

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

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

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

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

Amendments to IFRS 2

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

Improvements to IFRS – 2014-2016 cycle

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

Amendment to IAS 40

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

IFRIC 22

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

IFRS 4 Insurance Contracts - Amendments

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

Future accounting standards, amendments and interpretations

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

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

IFRS 16 – Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 17 - Insurance Contracts

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

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

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

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

- a specific adaptation for contracts with direct participation characteristics (the VTA/variable fee approach);
- a simplified approach (the approach to the allocation of premiums) mainly for short-term contracts.

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

Improvements to IFRS – 2015-2017 cycle

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

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

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

Amendments to IAS 19

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

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

Amendments related to the Conceptual Framework for Financial Reporting

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

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

Amendments to IFRS 3

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

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

Amendments to IAS 1 and IAS 8

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

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

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

B. Key accounting principles and valuation criteria

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

Current and non-current assets and liabilities

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

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

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

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

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

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

Intangible assets

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

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

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

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

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

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

Impairment - IAS 36

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

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

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

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

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

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

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

Tangible assets

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

Financial assets

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

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

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

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

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

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

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

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

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

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

Trade receivables

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

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

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

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

Cash and cash equivalents

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

Held-for-sale assets

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

Treasury shares

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

Financial liabilities

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

Provisions for risks and future liabilities

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

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

Revenues and income

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

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

Interest is reported using the effective interest rate method.

Employee benefits

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

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

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

Specifically:

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

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

Share-based payments

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

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

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

Income tax

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

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

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

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

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

Earnings per share

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

C. Changes in accounting principles and the treatment of errors

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

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

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

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

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

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

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

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

On the understanding that the use of reasonable estimates is an essential part of preparing financial statements, the items where the use of estimates is most prevalent are:

- valuation of financial assets not listed in active markets;
- valuation of financial assets listed in active markets but considered illiquid on the reference market;
- valuation of equity investments.

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

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

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

Information on the fair value hierarchy

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

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

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

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

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

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

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

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

Valuation techniques and main unobservable input data

Subsidiaries

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

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

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

DeA Capital Real Estate SGR S.p.A.

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

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

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

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

DeA Capital Partecipazioni S.p.A.

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

DeA Capital Alternative Funds SGR S.p.A.

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

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

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

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

Kenan Investments/Migros

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

The change compared with 31 December 2017 is attributable to:

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

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

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

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

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

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

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

NON-CURRENT ASSETS

1 - Intangible and tangible assets

1a - Intangible assets

Changes in intangible assets are shown in the tables below:

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

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

1b - Tangible assets

Changes in intangible assets are shown in the tables below:

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

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

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

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

2 - Financial investments

2a - Investments in subsidiaries
Investments in subsidiaries are measured at fair value in accordance with IAS 27 and IFRS 13.

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

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

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

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

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

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

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

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

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

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

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

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

DeA Capital Alternative Funds SGR S.p.A.

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

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

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

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

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

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

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

List of Equity Investments in Subsidiaries at 31.12.2018

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

2b - Investments in associated companies and funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Venture capital funds

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

Closed-end mutual investment funds

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

4 – Current assets

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

4a – Trade receivables

This item totalled EUR 310 thousand (EUR 758 thousand at 31 December 2017) and relates to:
- EUR 147 thousand from DeA Capital Alternative Funds SGR, EUR 73 thousand from DeA Capital Real Estate SGR, EUR 1 thousand from Lottomatica for the pro-quota charge-back for improvements to leased assets incurred for the building at Via Brera 21;
- EUR 89 thousand from De Agostini S.p.A. for the agreement to sublet rented premises and the reimbursement of costs associated with said agreement, and the pro rata reimbursement for improvements to leased assets incurred for the building at Via Brera, 21.

These receivables break down by region as follows:
- 70.82% from Italian subsidiaries;
- 28.75% from Italian parent companies;
- 0.43% from Italian affiliates.

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

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

4d - Other receivables from the tax authorities

This item, totalling EUR 3,591 thousand (EUR 720 thousand at 31 December 2017), relates to:
- tax deductions in the form of advance payments on interest of EUR 3 thousand;
- withholdings as substitute of tax by DeA Capital Alternative Funds SGR on the distribution of income by IDeA I FoF for EUR 3,092 thousand;
- advance payments made in relation to foreign direct and indirect taxes in Luxembourg for EUR 13 thousand;
- a receivable of EUR 389 thousand arising from the settlement of VAT relating to 2018;
- a receivable arising from an application for an IRES refund due to the non-deduction of IRAP relating to personnel costs for 2010-2011, for EUR 94 thousand;

4e - Other receivables

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

These receivables fall due within the next year.

4f - Cash and cash equivalents

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

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

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

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

6 - Shareholders' equity

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

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

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

6a - Share capital

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

6b - Share premium reserve

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

6c – Legal reserve

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

6d - Treasury shares reserve

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

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

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

6e – Other reserves

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

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

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

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

6g - Profit/(loss) for the year

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

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

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

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

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

7 – Non-current liabilities

7a – End-of-service payment fund

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

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

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

The amounts concerned were calculated as follows:

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

8 - Current liabilities

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

8a - Trade payables

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

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

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

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

8b - Payables to staff and social security organisations

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

8c - Tax payables to subsidiaries

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

8d - Tax payables to subsidiaries

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

8e - Other payables to the tax authorities

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

8f - Other payables

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

Contingent liabilities

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

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

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

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

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

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

Notes to the Income Statement

9 - Revenues and income

9a - Investment income and expenses

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

Details of this item are shown below.

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

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

Dividends from associates and other income

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

9b - Service revenues

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

9c - Other revenues and income

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

10 - Operating costs

10a - Personnel costs

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

The item breaks down as follows:

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

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

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

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

Share-based payments

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

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

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

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

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

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

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

10b – Service costs

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

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

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

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

11 - Financial income and charges

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

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

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

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

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

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

12 - Tax

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

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

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

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

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

13 – Basic earnings (loss) per share

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

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

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

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

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

Notes to the Cash Flow Statement

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

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

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

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

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

Other information

Commitments

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

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

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

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

Treasury shares and Parent Company shares

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

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

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

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

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

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

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

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

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

Performance share plans

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

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

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

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

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

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

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

Transactions with related parties

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

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

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

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

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

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

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

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

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

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

With regard to transactions with Subsidiaries, note the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Management and coordination

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

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

(in EUR)

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

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

Risks

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

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

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

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

A. Contextual risks

A.1. Risks relating to general economic conditions

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

A.2. Socio-political events

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

A.3. Changes in legislation

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

A.4. Performance of the financial markets

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

A.5. Exchange rates

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

A.6. Interest rates

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

B. Strategic risks

B.1. Concentration of the Private Equity investment portfolio

The Private Equity investment strategy adopted by the Company includes:
- Direct investments;
- indirect investments (in funds).

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

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

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

B.2. Concentration of Alternative Asset Management activities

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

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

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

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

B.3. Key resources (governance/organisation)

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

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

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

C. Operational risks

C.1. Investment operations

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

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

C.2. Divestment operations

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

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

C.3. Funding risk

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

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

Funds – Capital Payments/Distributions

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

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

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

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

Acquisition of minority units in DeA Capital Real Estate SGR

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

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

Further information

Publication of the 2018 Financial Statements

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

Transactions deriving from atypical and/or unusual Operations

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

Significant non-recurring events and transactions

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

Certification of the Annual Financial Statements pursuant to art. 154-bis of Legislative Decree 58/98

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Statement of responsibilities for the Annual Financial Statements pursuant to article 154-*bis* of Legislative Decree 58/98 58/98

The undersigned, Paolo Ceretti, as Chief Executive Officer, and Manolo Santilli, as Chief Reporting Officer of DeA Capital S.p.A., hereby certify, pursuant to Article 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, the adequacy in relation to the characteristics of the company and the administrative and accounting procedures for preparing the Annual Financial Statements in 2018 were suitable and effectively applied.

The assessment as to the suitability of the administrative and accounting procedures for preparing the Financial Statements at 31 December 2018 was based on a process established by DeA Capital S.p.A. in keeping with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is the generally accepted reference framework at the international level.

Note that in this regard, as described in the Notes to the Financial Statements, a significant portion of the assets are investments stated at fair value. Fair values were determined by directors based on their best estimate and judgement using the knowledge and evidence available at the time the Financial Statements were prepared. 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.

The undersigned further certify that the Financial Statements as at 31 December 2018:

- correspond to the Company's accounting records;
- have been prepared in compliance with the International Financial Reporting Standards adopted by the European Union, and the measures issued to implement Article 9 of Legislative Decree 38/2005;
- to the best of their knowledge, provide a true and fair view of the operating performance and financial position of the issuer.

The Report on Operations contains a reliable analysis of operating performance and results and of the situation of the issuer and all companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

07 March 2019

Paolo Ceretti
Chief Executive Officer

Manolo Santilli
Manager responsible for preparing the Company's accounts

Information pursuant to Article 149-*duodecies* of the Consob Issuer Regulations

The table below was prepared in accordance with Article 149-*duodecies* of the Consob Issuer Regulations and reports the fees for 2018 for auditing and other services provided by the independent auditors and entities belonging to the independent auditors' network. The fees reported below do not include VAT and out-of-pocket expenses.

(EUR thousand)	Company providing the service	Beneficiary	Compensation FY 2018
Audit	PricewaterhouseCoopers S.p.A.	DeA Capital S.p.A.	84
Total			**84**

Summary of subsidiaries' Financial Statements for the Year Ending 31 December 2018

(EUR thousand)	**DeA Capital Partecipazioni**	**DeA Capital Alternative Funds SGR**	**DeA Capital Real Estate SGR**
Non-current assets	98,241	3,017	125,213
Current assets	1,490	20,178	44,832
Available-for-sale financial assets - non-current portion	-	-	-
Consolidated assets	**99,731**	**23,195**	**170,045**
Shareholders' equity	96,594	11,984	141,873
Non-current liabilities	2,859	2,551	2,835
Current liabilities	278	8,660	25,337
Consolidated liabilities	**99,731**	**23,195**	**170,045**
Alternative asset management fees	-	23,483	-
Service revenues	-	-	39,768
Other investment income/charges	116	18	(4,500)
Other income	8	56	1
Personnel costs	49	(9,861)	(16,339)
External service costs	(503)	(4,289)	(7,814)
Depreciation and amortisation	-	(157)	(2,127)
Other charges	(81)	(273)	(2,966)
Financial income	8	57	3
Financial charges	-	(20)	(39)
Taxes	138	(2,887)	(2,351)
Profit/(loss) for the period from held-for-sale operations	-	-	-
Net profit/(loss)	**(265)**	**6,127**	**3,636**

Independent Auditors' Report

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of DeA Capital SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of DeA Capital Group (the Group), which comprise the statement of financial position as of 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of DeA Capital SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key audit matters	*Auditing procedures performed in response to key audit matters*
Evaluation of intangible assets	
Notes to the consolidated financial statements - Part B "Measurement criteria adopted" – paragraph on "Intangible assets", Notes 1a "Goodwill" and 1b "Intangible assets" of item "Intangible and tangible assets" of the Statement of Financial Position. Goodwill, amounting to Euro 93.7 million (16.8% of total consolidated assets), and "intangible assets from final variable commission", equal to Euro 19.1 million (3.4% of total consolidated assets), were tested for impairment in accordance with the provisions of IAS 36. Estimating the recoverable amount of the assets which were subject to the impairment test required significant professional judgement by management in respect of: • the definition of the key assumptions underlying the estimate of the expected cash flows of the identified cash generating units ("*CGUs*") to which the goodwill and the other intangible assets recognised in the financial statements belong and • the determination of the discount rate applied to discount the expected cash flows at the reporting date. Considering the valuation methods used by the Group which are characterised by a high degree of professional judgement and use of estimates, and in light of the significance of goodwill and of intangible assets from final variable commission recognised in the financial statements, we deemed this process as a key audit matter.	In performing our audit procedures on these items we were also supported by PwC network experts in business valuation, given that the complexity of the valuation process requires in-depth knowledge of the reference markets and specific expertise. After obtaining an understanding of the valuations and criteria used by management to identify the CGUs, we verified their consistency with management reporting and with the organisational and operating structure of the Group. We checked, on a sample basis, the accuracy and reasonableness of the forecast data used to determine the expected cash flows of the CGUs identified and of the intangible assets from variable commission. We evaluated the reasonableness of the assumptions underlying the recoverable amount of the intangible assets tested for impairment, also through sensitivity analysis performed in an independent manner on the main parameters used in the estimate process. Finally, we verified the correct determination of the assets and liabilities of the financial statements attributable to the individual CGUs, including the allocated goodwill, and of the intangible assets from final variable commissions, used for comparisons with the respective values in use.

Key audit matters	Auditing procedures performed in response to key audit matters
Evaluation of unlisted financial instruments	
Notes to the consolidated financial statements: Part B - Measurement criteria adopted – paragraph on "Financial assets", Part D – Use of estimates and assumptions in preparing the financial statements, Notes 2b "Investments held by funds", 2c "Equity investments in other companies measured at fair value through P&L" of the Statement of Financial Position. The Group holds, directly or indirectly through funds, investments in listed and unlisted companies. At 31 December 2018, total "Investments in other companies measured at fair value through P&L" amounted to Euro 51.0 million, of which Euro 24.1 million in unlisted financial instruments, while total "Investments held by funds" were equal to Euro 23.5 million, entirely related to unlisted financial instruments. The total amount of unlisted financial instruments therefore equated to Euro 47.6 million (8.5% of total consolidated assets). Investments in unlisted companies were subject to an evaluation process founded also on valuation methods and techniques based on observable inputs other than prices quoted on active markets and on unobservable input data, which were the object of a structured estimate process. The fair value measurement of investments in unlisted companies is therefore characterised by a high degree of subjectivity in relation to: • the selected measurement technique which is considered more appropriate in relation to the characteristics of each individual investment and to the aim/manner through which it is held; • the determination of the assumptions and parameters to be used within the application framework of the selected valuation techniques;	We gained an understanding and assessed the determination process of the value of the Group's financial investments and related implemented controls. We discussed with management the appropriateness of methodology in the evaluations performed based on the characteristics of each investment, also assisted by PwC network experts in business valuation. In particular, on a sample basis, we: • obtained the calculation models used by management to evaluate individual assets and verified their mathematical accuracy; • verified that the balance-sheet, P&L and expected cash-flows data used as input data have not been determined using unreasonable hypotheses and assumptions; • verified the reasonableness of the other assumptions and hypotheses behind the valuation models, also through specific sensitivity analyses on the main parameters and observable and unobservable input data. Finally, we verified the existence and correct recognition of unrealised gains and losses deriving from the valuation of the unlisted financial instruments at 31 December 2018.

Key audit matters	*Auditing procedures performed in response to key audit matters*
• the determination of the precise fair value of the financial instrument within the valuation intervals identified through the various techniques. Considering the significance of these discretionary elements and the importance of the investments in unlisted companies recognised in the financial statements, we deemed this process as a key audit matter.	
Recognition of commission income and other investment income/expense *Notes to the consolidated financial statements: Part B - Measurement criteria adopted – paragraph on "Revenues and Income", Note 8 "Alternative asset management fees" and Note 10 "Other investment income and expenses" of the Income Statement.* Revenues from commissions include management fees, fund set-up fees, subscription fees and performance fees. Management fees and set-up and/or subscription fees, if any, are calculated based on percentages applied to the Assets Under Management (hereinafter also "AUM") or on Commitments, with reference to certain private equity funds, according to the methods provided in the funds' relevant prospectus. Performance fees are accounted for based on the achievement of contractually established performance thresholds. The recognition of commission income, amounting to Euro 62.4 million (60.6% of total consolidated revenues), was considered as a key audit matter in light of the their significant contribution to the group income statement at 31 December 2018.	We obtained an understanding and assessed the internal control system over the generation and accounting recognition of commission income and investment income/expense, and we validated the related key controls identified. With reference to the management fees of DeA Capital Alternative SGR SpA, we analysed the funds' prospectus to verify the consistency of the calculation methods, the correctness of the commission percentages applied and the related mathematical accuracy. We also relied upon the audit procedures performed by us as part of the audit of the financial statements of the funds managed by the subsidiary to verify the existence and correct evaluation of the funds' net assets and related income results. With reference to the fees deriving from the asset management services provided by the subsidiary DeA Capital Real Estate SGR SpA, whose auditor does not belong to the PwC network, considering the significant contribution of these fees to the total of the item"Alternative asset management fees", we also carried out independent auditing procedures.

Key audit matters	Auditing procedures performed in response to key audit matters
Investment income and/or expenses include realized gains and losses on equity investments and funds sold during the year, as well as unrealised gains and/or losses arising from the fair value adjustment of investments held by the Group at 31 December 2018. The recognition of realised gains/losses on investments, amounting to €37.8 million (36.7% of total consolidated revenue), was considered as a key audit matter in light of the complexity that sometimes characterises the clauses in the divestment contracts and that directly impact the method used to define the exit price to be considered in determining and accounting the realised gains/losses.	Specifically, we shared and monitored the auditing procedures performed by the component auditor on the subsidiary's financial statements and on the financial statements of the funds managed by the subsidiary itself, reviewing the related working papers. Finally, we performed autonomous testing procedures such as substantive analytical procedures and analysis, on a sample basis, of the funds' prospectus in order to verify the consistency of the calculation methods, the correctness of the commission percentages applied and the related mathematical accuracy. With reference to realized gains and losses, we have critically analysed the disinvestment contracts in order to verify the correct determination of the exit prices, including the possible existence of price adjustments mechanism, in light of the contractual clauses and the consequent accounting treatment of the realized gains/losses.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate DeA Capital SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.
As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 17 April 2015, the shareholders of DeA Capital SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of DeA Capital SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the DeA Capital Group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the DeA Capital Group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of DeA Capital SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 26 March 2019

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of DeA Capital SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DeA Capital SpA (the Company), which comprise the statement of financial position as of 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key audit matters	*Auditing procedures performed in response to key audit matters*

Evaluation of unlisted financial instruments and related impairment process

Notes to the separate financial statements: Part B - Measurement criteria adopted – paragraph on "Financial assets", Part D – Use of estimates and assumptions in preparing the financial statements, Notes 2a "Investments in subsidiaries", 2b "Investments in associated companies and funds", 2c "Equity investments in other companies measured at fair value through P&L" of the Statement of Financial Position

DeA Capital SpA holds investments in listed and unlisted companies. At 31 December 2018, total "Investments" recorded in the financial statements, including the value of "Investments in subsidiaries", "Investments in associated companies and funds" and "Investments in other companies measured at fair valye through P&L" was equal to Euro 275.0 million, of which Euro 248.2 million relating to investments in unlisted companies (equal to 51.8% of the Company's total assets).

Investments in unlisted companies were subject to an evaluation process founded also on valuation methods and techniques based on observable inputs other than prices quoted on active markets and on unobservable input data, which were the object of a structured estimate process.

The fair value measurement of investments in unlisted companies is therefore characterised by a high degree of professional judgement in relation to:

- the selected measurement technique which is considered more appropriate in relation to the characteristics of each individual investment;
- the determination of the assumptions and parameters to be used within the application of the selected valuation techniques;
- the determination of the precise fair value of the financial instrument within the valuation intervals identified through the various techniques.

We gained an understanding and assessed the determination process of the value of the Group's financial investments and related implemented controls.

We discussed with management the appropriateness of methodology in the evaluations performed, based on the characteristics of each investment and with the assistance of PwC network experts in business valuation.

In particular, on a sample basis, we:

- obtained the calculation models used by management to evaluate individual assets and verified their mathematical accuracy;
- verified that the balance-sheet, P&L and expected cash-flows data used as input data have not been determined using unreasonable hypotheses and assumptions;
- verified the reasonableness of the other assumptions and hypotheses behind the valuation models, also through specific sensitivity analyses on the main parameters and observable and unobservable input data;
- considered the choice made by management in respect of the point fair value to use for financial statement purposes.

Finally, with the reference to the "Investments in associated companies and funds", we verified the existence and correct recognition of impairment losses, if any, determined on the basis of the accounting policies set by the Company.

Considering the significance of these discretionary elements and the importance of the investments in unlisted companies recognised in the financial statements, we deemed this process as a key audit matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of DeA Capital SpA as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of DeA Capital SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 26 March 2019

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

Report of the Board of Statutory Auditors (Original available in Italian version)

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