



**FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2019**

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

Balance Sheet-DeA Capital S.p.A.

(EUR)	Note	31.12.2019	1.1.2019 restated for IFRS 16 (*)	31.12.2018 "as reported"
ASSETS				
Non-current assets				
Intangible and tangible assets				
Intangible assets	1a	22,320,454	0	0
Tangible assets	1b	2,578,048	2,998,444	104,843
- Leased buildings		2,479,084	2,817,625	0
- Other leased assets		41,824	75,976	0
- Other tangible assets		57,140	104,843	104,843
Total intangible and tangible assets		24,898,502	2,998,444	104,843
Investments				
Subsidiaries and joint ventures	2a	228,129,083	212,907,710	212,907,710
Associates	2b	22,380,407	11,187,597	11,187,597
Other Investments at Fair Value through P&L	2c	50,640,583	50,912,374	50,912,374
Funds at Fair Value through P&L	2d	95,714,422	98,668,127	98,668,127
Total Investments		396,864,495	373,675,808	373,675,808
Other non-current assets				
Deferred tax assets	3a	0	0	0
Financial receivables for leasing- non current position	3b	7,123,235	8,452,538	0
Total other non-current assets		7,123,235	8,452,538	0
Total non-current assets		428,886,232	385,126,790	373,780,651
Current assets				
Trade receivables	4a	330,773	310,122	310,122
Financial receivables	4b	1	1	1
Financial receivables for leasing- current position	4c	1,329,303	1,300,452	0
Tax receivables from Parent companies	4d	2,412,782	0	0
Other tax receivables	4e	2,794,207	3,590,820	3,590,820
Other receivables	4f	43,766	495,382	495,382
Cash and cash equivalents	4g	61,158,627	100,732,781	100,732,781
Total current assets		68,069,459	106,429,558	105,129,106
Total current assets		68,069,459	106,429,558	105,129,106
TOTAL ASSETS		496,955,691	491,556,348	478,909,757
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	5a	266,612,100	306,612,100	306,612,100
Share premium reserve	5b	186,881,208	240,858,282	240,858,282
Legal reserve	5c	61,322,420	61,322,420	61,322,420
Own share reserve	5d	(10,415,488)	(82,765,896)	(82,765,896)
Other reserves	5e	(5,172,414)	(5,737,177)	(5,737,177)
Retained earnings (losses)	5f	(45,449,479)	(62,519,812)	(62,519,812)
Profit/(loss) for the year	5g	12,451,459	17,303,851	17,303,851
Shareholders' equity		466,229,806	475,073,768	475,073,768
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	3a	0	0	0
Provisions for employee termination benefits	6a	410,056	318,288	318,288
Financial liabilities - non current position	6b	9,368,926	10,930,805	0
- Financial liabilities for leasing		9,199,080	10,930,805	0
- Other Financial liabilities		169,846	0	0
Total non-current liabilities		9,778,982	11,249,093	318,288
Current liabilities				
Trade payables	7a	659,991	1,259,579	1,259,579
Payables to staff and social security organisations	7b	1,688,416	830,258	830,258
Tax payables to Parent company	7c	0	1,132,133	1,132,133
Current tax payables to Subsidiaries	7d	63,926	63,926	63,926

(EUR)	Note	31.12.2019	1.1.2019 restated for IFRS 16 (*)	31.12.2018 "as reported"
Other tax payables	7e	200,182	214,990	214,990
Other payables	7f	16,737	16,815	16,815
Short term financial payables	7g	18,317,651	1,715,786	0
- Short term financial payables for leasing		1,807,987	1,715,786	0
- Short term financial payables		16,509,664	0	0
Total current liabilities		20,946,903	5,233,487	3,517,701
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		496,955,691	491,556,348	478,909,757

(*) Figure at 31.12.2018 radjusted for the effects of the application of the new accounting standard IFRS 16 starting from 1.1.2019.

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.

Income Statement - DeA Capital S.p.A.

(EUR)	Note	Financial Year 2019	Financial Year 2018
Dividends from Subsidiaries and joint ventures	8a	18,354,413	7,720,507
Profit/(loss) from valuation in Subsidiary companies	8a	(5,585,088)	34,138,350
Profit/(loss) from valuation in Related companies	8a	(136,417)	(848,634)
Profit/(loss) from valuation in other investments	8a	5,870,846	(17,105,204)
Income from services	8b	1,067,147	2,594,113
Other income		159	85,548
Personnel costs	9a	(5,493,761)	(3,331,902)
Service costs	9b	(3,094,861)	(4,809,018)
Depreciation, amortization and impairment	9c	(543,818)	(116,019)
Other expenses	9d	(287,713)	(61,793)
Financial income	10a	1,209,908	325,868
Financial expenses	10b	(651,669)	(201,861)
PROFIT/(LOSS) BEFORE TAX		10,709,146	18,389,955
Income tax	11a	1,742,313	(1,086,104)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		12,451,459	17,303,851
PROFIT/(LOSS) FOR THE YEAR		12,451,459	17,303,851
Earnings per share, basic (€)	12	0.05	0.07
Earnings per share, diluted (€)	12	0.05	0.07

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 financial year is reported, including results posted directly to shareholders' equity, reflects a net positive balance of approximately EUR +12,424 thousand (compared with a net positive balance of approximately EUR +17,311 thousand in FY 2018). This comprises:

- a net profit of EUR +12,452 thousand recorded on the Income Statement;
- results posted directly to Shareholders' Equity totalling EUR -28 thousand, attributable to actuarial gains/losses on severance indemnities.

(EUR)	31.12.2019	31.12.2018
Profit/(loss) for the year (A)	12,451,459	17,303,851
Components that may be subsequently restated under Profit/(Loss) for the year	0	0
<i>Profits/(Losses) from recalculation of available-for-sale financial assets</i>	0	0
Components that will not be subsequently restated under Profit/(Loss) for the year	(27,527)	7,078
<i>Actuarial Profits/(Losses) to be revalued in defined benefit plans</i>	(27,527)	7,078
Total other Profit/(Loss), net of tax effect (B)	(27,527)	7,078
Total comprehensive Profit/(Loss) for the year (A)+(B)	12,423,932	17,310,929

Cash flow statement - Parent Company - Direct method

(EUR thousand)	Financial Year 2019	Financial Year 2018
CASH FLOW from operating activities		
Investments in funds and shareholdings	(44,813)	(50,313)
Proceeds from the sale of investments	600	0
Capital reimbursements from funds and shareholdings	28,694	54,992
Interest received	8	30
Income from distribution from investments	282	0
Exchange gains (losses)	0	1
Taxes paid	(3,054)	(3,120)
Taxes refunded	1,943	1,403
Dividends received	19,382	45,311
Revenues for services	336	633
Intragroup revenues for services	1,703	3,316
Intragroup operating expenses	(1,156)	(1,092)
Operating expenses	(6,289)	(7,030)
Net cash flow from operations	(2,364)	44,131
CASH FLOW from investment activities		
Acquisition of tangible assets	(24)	(8)
Acquisition of intangible assets	(5,811)	0
Net cash flow from investments	(5,835)	(8)
CASH FLOW from financial activities		
Share capital issued: stock option plan	324	0
Purchase of own shares	0	(3,187)
Cash flow from leasing contract	1,503	0
Cash flow for leasing contract	(2,007)	0
Dividends paid	(31,195)	(30,448)
Net cash flow from financial activities	(31,375)	(33,635)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(39,574)	10,488
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	100,733	90,245
CASH AND CASH EQUIVALENTS AT END OF PERIOD	61,159	100,733

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 Shareholders' Equity 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 31.12.2017 "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)

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Reserve of own shares	Fair value reserves	Share issued costs reserve
Total at 31.12.2018	306,612	240,859	61,322	(82,766)	0	(7,828)
Allocation of Profit	0	0	0	0	0	0
Own shares delivered for incentive plans	0	0	0	1,525	0	0
Performance shares cost	0	0	0	0	0	0
Cancellation of own shares	(40,000)	(22,780)	0	62,780	0	0
Dividend paid 2019	0	(31,197)	0	0	0	0
Other changes	0	0	0	8,046	0	316
Total comprehensive Profit/ (Loss) for 2019	0	0	0	0	0	0
Total at 31.12.19	266,612	186,882	61,322	(10,415)	0	(7,512)

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/ performance shares reserve	Reserve for sale of option rights/warrant subscriptions	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

Stock options/ performance shares reserve	Reserve for sale of option rights/warrant subscriptions	Reserve for the IDeA AI merger	Reserve for actuarial gains / losses	Profit/(Loss) carried forward	Profit/ (Loss)	Total
2,219	729	(831)	(26)	(62,520)	17,304	475,074
0	0	0	0	17,304	(17,304)	0
(968)	0	0	0	(234)	0	323
1,560	0	0	0	0	0	1,560
0	0	0	0	0	0	0
0	0	0	0	0	0	(31,197)
0	(316)	0	0	0	0	8,046
0	0	0	(27)	0	12,451	12,424
2,811	413	(831)	(53)	(45,450)	12,451	466,230



**NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2019**

Notes to the Financial Statements - Financial Statements for the Year ending 31 December 2019

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, as indicated in the section "Main risks and uncertainties" in the Report on Operations, the directors believe that the risks and uncertainties described therein, and those connected to the impact of the general economic situation ensuing from the COVID-19 epidemic, are not critical in nature, confirming the equity and financial solidity of the DeA Capital S.p.A. 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: annual financial statements must show comparative information for the previous period.

To this end, we hereby note that following the introduction of IFRS 16, classification and measurement rules became applicable from 1 January 2019 and it was necessary to restate the accounting balances outstanding at 31 December 2018.

Therefore, in the Statement of Financial Position schedules it is shown how to compare the balances at 31 December 2019:

- **the figures as 31 December 2018, as per the approved Financial Statements) "as reported");**
- **the figures as at 1 January 2019, i.e. the figures as at 31 December 2018 re-stated on the basis of the application of the new accounting standard IFRS 16. For further details, please refer to the section "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 2019.

In addition to the figures at 31 December 2019, the financial statement formats used also provide comparable figures for 31 December 2018.

The publication of the draft Financial Statements for the Year Ending 31 December 2019 was authorised by resolution of the Board of Directors dated 10 March 2020.

Statement of compliance with accounting standards

The Financial Statements for the Year Ending 31 December 2019 (2019 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 (International Accounting Standards, or individually IAS/IFRS, or collectively IFRS (International Financial Reporting Standards)). When preparing the Consolidated Financial Statements for the year, all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) were applied, including those previously issued by the Standing Interpretations Committee (SIC), approved by the European Union.

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 with effect from 1 January 2019 of IFRS 16, the reclassification/restatement of the Financial Statements at 31 December 2018 was necessary in order to reflect the impacts.

Below is a reconciliation statement between the approved Statement of Financial Position at 31 December 2018 (as reported) and the same statement revised in the light of the application of new accounting standard IFRS 16 with effect from 1 January 2019.

(EUR)	31.12.2018 "as reported"	Restatement for application IFRS 16	1.1.2019 with application of IFRS 16
ASSETS			
Non-current assets			
Intangible and tangible assets			
Intangible assets	0	0	0
Tangible assets	104,843	2,893,601	2,998,444
- Building in leasing	0	2,817,625	2,817,625
- Other leased assets	0	75,976	75,976
- Other tangible assets	104,843	0	104,843
Total intangible and tangible assets	104,843	2,893,601	2,998,444
Investments			
Subsidiaries and joint ventures	212,907,710	0	212,907,710
Associates	11,187,597	0	11,187,597
Other Investments at Fair Value through P&L	50,912,374	0	50,912,374
Funds at Fair Value through P&L	98,668,127	0	98,668,127
Total Investments	373,675,808	0	373,675,808
Other non-current assets			
Deferred tax assets	0	0	0
Financial receivables for leasing- non current position	0	8,452,538	8,452,538
Tax receivables from Parent companies	0	0	0
Total other non-current assets	0	8,452,538	8,452,538
Total non-current assets	373,780,651	11,346,139	385,126,790
Current assets			
Trade receivables	310,122	0	310,122
Financial receivables	1	0	1
Financial receivables for leasing- current position	0	1,300,452	1,300,452
Tax receivables from Parent companies	0	0	0
Other tax receivables	3,590,820	0	3,590,820
Other receivables	495,382	0	495,382
Cash and cash equivalents	100,732,781	0	100,732,781
Total current assets	105,129,106	1,300,452	106,429,558

(EUR)	31.12.2018 "as reported"	Restatement for application IFRS 16	1.1.2019 with application of IFRS 16
Total current assets	105,129,106	1,300,452	106,429,558
TOTAL ASSETS	478,909,757	12,646,591	491,556,348
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	306,612,100	0	306,612,100
Share premium reserve	240,858,282	0	240,858,282
Legal reserve	61,322,420	0	61,322,420
Own share reserve	(82,765,896)	0	(82,765,896)
Other reserves	(5,737,177)	0	(5,737,177)
Retained earnings (losses)	(62,519,812)	0	(62,519,812)
Profit/(loss) for the year	17,303,851	0	17,303,851
Shareholders' equity	475,073,768	0	475,073,768
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	0	0	0
Provisions for employee termination benefits	318,288	0	318,288
Financial liabilities - non current position	0	10,930,805	10,930,805
- <i>Financial liabilities for building in leasing</i>	0	10,884,003	10,884,003
- <i>Financial liabilities for other leased assets</i>	0	46,802	46,802
Total non-current liabilities	318,288	10,930,805	11,249,093
Current liabilities			
Trade payables	1,259,579	0	1,259,579
Payables to staff and social security organisations	830,258	0	830,258
Tax payables to Parent company	1,132,133	0	1,132,133
Current tax payables to Subsidiaries	63,926	0	63,926
Other tax payables	214,990	0	214,990
Other payables	16,815	0	16,815
Short term financial payables	0	1,715,786	1,715,786
- <i>Short term financial payables for building in leasing</i>	0	1,686,612	1,686,612
- <i>Short term financial payables for other leased in leasing</i>	0	29,174	29,174
Total current liabilities	3,517,701	1,715,786	5,233,487
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	478,909,757	12,646,591	491,556,348

Accounting standards, amendments and interpretations applied as of 1 January 2019

The IASB-approved international accounting standards and interpretations authorised for adoption in Europe that were applied for the first time from 1 January 2019 are detailed below.

The Company did not apply any IFRS in advance.

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 financing 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 more extensive disclosures from lessees and lessors compared to IAS 17.

In the transition phase, the lessee could 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. In particular, this approach envisages, for leases previously recognized as operating leases, the possibility to:
 - record in the financial statements the liability for the lease, calculated on the date of initial application as the current value of the residual payments relating to the contract, using the marginal financing rate of the lessee at the date as the discount rate;
 - record in the financial statements the asset consisting of the right of use of the asset underlying the contract alternatively:
 - a) at the carrying amount determined as if the standard had been applied from the date of the lease commencement but discounted using the marginal interest rate of the lessee at the date of first application ("Option 1");

b) at an amount equal to the amount of the liability for the lease (adjusted for any accruals and deferrals recognized before the date of first application) ("Option 2").

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

The DeA Capital Group has chosen to adopt the "modified retrospective approach" using option 2, described above, permitted by the Standard, having only leases previously recognised as operating leases.

The transition to the new IFRS 16 for the DeA Capital Group did not therefore entail the recognition of impacts on the opening shareholders' equity but it involved:

- the recognition in Tangible Assets for the portion pertaining to the companies of the DeA Capital Group of the right of use for a total of EUR 2,893,601;
- the recognition in financial receivables for non-current and current leases for the portion pertaining to the companies of the De Agostini Group of the right of use, for the spaces used for the offices sub-leased to them, for a total of EUR 9,752,990;
- the recognition of financial liabilities totalling EUR 12,646,591.

The DeA Capital Group also made use of the following practical expedients during the transition to the new "on a lease-by-lease basis" principle, based on the rights granted by IFRS 16:

- choice not to use the right to apply "grandfathering", which required the re-determination of the scope of the lease transactions to be subjected to the new Standard;
- choice not to recognise, on the basis of IFRS 16, short-term leases and leases of low value items (EUR 5,000);
- exclusion of initial direct costs from the valuation of the asset consisting of the right of use;
- estimate of the duration of the lease on the basis of the experience acquired and the information available at the date of the first application of the Standard in relation to the exercise of the extension options or early termination.

The weighted average based on the residual duration on the date of First-Time Adoption of the marginal financing rate used for the measurement of the liability for leasing amounts to 0.85%.

It is also noted that future lease commitments pursuant to IAS 17 at 31 December 2018 amounted to EUR 3,108,955 (the latter do not include those relating to short-term contracts and those for assets of non-material value), while liabilities (current and non-current portion) for leases recognized in the financial statements at the date of First-Time Adoption amounted to EUR 2,893,601. The difference, amounting to EUR 215,354, is attributable exclusively to the discounting effect.

IFRIC 23

On 7 June 2017, the IASB published the new IFRIC 23 "Uncertainty over Income Tax Treatments", which provides guidance on how to reflect uncertainties about the tax treatment of a given phenomenon in income tax accounting.

The new interpretation, ratified by the European Commission on 23 October 2018, is applicable from 1 January 2019.

Amendments to IFRS 9 and IAS 28

On 12 October 2017 the IASB published amendments to IFRS 9 "Prepayment Features with Negative Compensation" and IAS 28 "Long Term Interest in Associates and Joint Ventures".

The amendments to IFRS 9 are designed to allow the measurement at amortised cost or fair value through other comprehensive income (OCI) of financial assets with an option to extinguish them early with negative compensation".

The amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" are designed to clarify that IFRS 9 applies to long-term receivables due from an associate or joint venture that, in substance, forms part of the net investment in the associate or joint venture.

The amendments were ratified by the European Commission and are applicable from 1 January 2019.

Improvements to IFRS – 2015-2017 cycle

On 12 December 2017, the IASB issued a set of amendments to IFRS ("Annual Improvements to IFRS – 2015-2018 cycle") for the following standards:

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

The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2019.

Amendments to IAS 19

On 7 February 2018, the IASB published amendments to IAS 19 "*Plan Amendment, Curtailment or Settlement*" clarifying how pension costs are determined when a change in the defined benefit plan occurs.

The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2019.

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 10 March 2020

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 10 March 2020, are as follows:

Amendments to "Conceptual Framework for Financial Reporting"

On 29 March 2018, the IASB published amendments to the conceptual framework underlying the IFRSs to improve financial reporting by providing a more complete, clear and updated set of conceptual elements which include revised definitions of an asset and liability, as well as new guidance on measurement, derecognition, presentation and disclosure. The IASB focused on issues that had not been addressed or showed obvious shortcomings that required attention.

The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2020.

Amendments to IAS 1 and IAS 8

On 31 October 2018, the IASB published the amendment "*Definition of Material*" which aims to clarify the definition of 'material' in order to help companies assess whether an element of information should be included in their financial statements.

The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2020. Early application is however permitted.

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 10 March 2020

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 10 March 2020 are as follows:

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new standard for insurance contracts covering recognition and measurement, presentation and disclosure. Upon its entry into force IFRS 17 will replace IFRS 4 *Insurance Contracts*, issued in 2005.

IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance, re-insurance) regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation features.

The overall 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 policies, IFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects.

At 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 premium allocation approach) mainly for short-term contracts.

IFRS 17 will enter into force for financial years beginning on 1 January 2021 and will require the presentation of comparative balances. Earlier application is permitted (in which case the entity shall also have adopted IFRS 9 and IFRS 15 at or before the date of first-time application of IFRS 17).

Amendments to IFRS 3

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

The amendments, which are awaiting ratification by the European Union, will enter into force on 1 January 2020.

Amendments to IFRS 9, IAS 39 and IAS 7

Regulation (EU) 2020/34 the European Parliament amended IAS 39 and International Financial Reporting Standards (IFRS) 7 and 9. The amendment became necessary following the report "Reforming Major Interest Rate Benchmarks" in which the Financial Stability Board issued recommendations to strengthen existing reference indices and other potential reference rates based on interbank markets and develop alternative, almost risk-free reference rates.

The International Accounting Standards Board has issued the amendment to IFRS 9, IAS 39 and IFRS 7 concerning the reference indices for the determination of interest rates so as to consider the consequences of the reform on financial reporting.

The standard is applicable from 1 January 2020.

Amendments to IAS 1

On 23 January 2020, the IASB issued the amendment to IAS 1 Presentation of Financial Statements containing the "Classification of Liabilities as Current or Non-current" which aims to clarify the classification between current and non-current liabilities.

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 2019 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 realised 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 sold on 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 about possible variations in the amount or timing of those future 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 there are indications that the net book value may be difficult to recover, an impairment test is conducted. Impairment is reversed if the reasons for the write-down no longer apply.

Financial assets

Based on the classification of financial assets required by IFRS 9, which has replaced IAS 39 in its entirety from 1 January 2018, the Company classified its financial assets as at 1 January 2018 and subsequently when individual financial assets were acquired.

The loans and receivables category includes non-derivative financial instruments that are not listed on an active market, with 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 their ancillary cost and they are subsequently measured at amortised cost by applying the effective interest rate method.

IFRS 9 introduced an obligation to measure the impairment of trade and financial receivables in terms of expected loss (Expected Loss). The Company has adopted the simplified model required by IFRS 9. For further details, 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.

Holdings in companies and investments in funds that constitute the main and predominant sector of the DeA Capital Group's business are classified in the following categories of financial assets measured at fair value through a balancing entry in the Income Statement:

- **Holdings in Subsidiaries and Associates – measured at fair value through P&L;**
- **Holdings 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) because the type of investment does not meet the conditions for passing 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, such as the DeA Capital's direct investments 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 similarity (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, which do not have a significant financing component, are initially recognised at the transaction price or at the consideration which the entity believes it is entitled to in exchange for the transfer of the promised goods or services to the customer.

Subsequently, the receivables which have a pre-established maturity are valued at amortised cost, using the effective interest rate method, while receivables without a fixed maturity are valued at cost.

Receivables are stated in the financial statements net of allowances for losses in value.

IFRS 9 introduced an obligation to measure the impairment of trade and financial receivables in terms of expected loss (Expected Loss). The Company has adopted the simplified model required by IFRS 9. For further details, 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 and the adjustment is charged to an impairment provision charged directly against 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 applied 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 recognised 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 item of Shareholders' Equity. 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 IFRIC have confirmed that, under IFRS 9, when a financial liability is renegotiated, the provisions of paragraph B5.4.6 must be applied, recognising in the Income Statement the differences between the liability extinguished and the new liability (in terms of expected cash flow). The new standard therefore provides the possibility of treating the amortised cost of the liability subject to renegotiation on a continuous basis, and the effects on the income statement are no longer recognised.

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 from services are recognised at the time the service is rendered, in accordance with IFRS 15 - Revenues from Customer Contracts. Revenues are recorded net of returns, discounts, allowances and premiums, and of directly related taxes.

Income from holdings for dividends or for their full or partial sale is reported when the right to receive payment is determined, with a balancing item (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 relating to participation in defined contribution plans relate only to those managed by the government on a mandatory basis. The payment of contributions fulfils the Company's obligation towards its employees; therefore, the contributions constitute 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 realized 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 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 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 standards 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 in which 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 holdings.

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.

In relation to the significant events that occurred after the end of the financial year, particularly insofar as the macro-economic framework, the recent global spread of COVID-19 ("Coronavirus") could constitute a new and significant factor of instability of the framework itself, thereby affecting our future ability to maximise the value the assets in our portfolio.

This factor represents an event occurring after the balance sheet date that does not entail adjustments to the balance sheet balances because, even though the Coronavirus phenomenon occurred in China near the balance sheet date, it was only from the end of January 2020 that the World Health Organization declared the existence of an international emergency and cases were diagnosed in other countries, leading to the adoption of specific measures in China and in other countries.

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:** where the fair value of the financial instrument is calculated based on the quoted prices recorded on an active market for assets or liabilities identical to those being valued;
- **level 2:** where the fair value of the financial instrument is calculated using observable inputs other than those included in level 1, such as:
 - prices quoted on active markets for similar assets and liabilities;
 - prices quoted on inactive markets for identical assets and liabilities;
 - interest rate curves, implied volatility, credit spreads;
- **level 3:** where the fair value of the financial instrument is measured on the basis of non-observable data. These 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 measured at fair value by hierarchical level at 31 December 2019:

(EUR m)	Level 1	Level 2	Level 3	Total
Investments in Subsidiaries	0.0	13.8	214.3	228.1
Investments in Associates	0.0	8.1	14.3	22.4
Other Investments at Fair Value through P&L	6.8	36.4	7.5	50.7
Funds at Fair Value through P&L	0.0	95.7	0.0	95.7
Total	6.8	154.0	236.1	396.9

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 2019, are identified separately.

(EUR thousand)	Balance at 1.1.2019	Increases	Decreases	Fair value adjustment	Balance at 31.12.2019
<i>Subsidiaries</i>					
DeA Capital Partecipazioni S.p.A.	146,169	1,000	0	(8,669)	138,500
DeA Capital Real Estate SGR S.p.A.	4,454	8,624	0	(778)	12,300
DeA Capital Alternative Funds SGR S.p.A.	47,100	12,200	0	4,200	63,500
<i>Associates</i>					
Quaestio Holding S.A.	0	14,526	0	(240)	14,286
<i>Other Investments at Fair Value through P&L</i>					
Toi Due S.r.l.	0	5,000	0	0	5,000
IDeaMI S.p.A. in liquidation	4,375	0	0	(2,579)	1,796
Participatory Financial Instruments	28	108	(11)	565	690
Total	202,126	41,458	(11)	(7,501)	236,072

Valuation techniques and main unobservable input data

Subsidiaries

Valuations of holdings and funds in the portfolio reflect estimates made using the information available on the date this that 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 set input parameters not quoted on active markets, for whose estimate, however, information acquired from prices and spreads observed on the market are given preference.

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 considering the value in use as the sum of the present value of dividend flows (DDM, or dividend discount model) expected from DeA Capital Real Estate SGR for the specific period covered by the forecasts (2020-2022) and for future periods (using a projected normalised terminal value).

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 the company's projections of future returns for the various funds under management.

The valuation was based on a cost of capital of between +10.5% and +11.5% plus a terminal value based on growth ("g") assumptions of between 1.6% and 2.00%.

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/+3.6 million (for changes of +0.5% and -0.5% in the cost of capital) and EUR -0.8/+0.9 million (for changes of -0.2% and +0.2% 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 determining the value of the holdings in DeA Capital Real Estate SGR S.p.A. (see preceding 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 (2020-2024) and future periods (using a projected normalised terminal value).

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 +8.9% and +11.4%, depending on (i) the period of the flows (2020-2024 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 of 1.6% and 2.0%.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of IDeA 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 -3.1/+3.5 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -0.7/+0.7 million (for changes of -0.2% and +0.2% in the rate of growth (g)).

Kenan Investments/Migros

The stake in Kenan Investments is recorded in the Consolidated Financial Statements for the Year Ending 31 December 2019 at EUR 15,740 thousand (compared with EUR 19,366 thousand at 31 December 2018).

The change compared with 31 December 2018 is due to:

- the placement through accelerated book building ("ABB") by Kenan Investments and the subsidiary Moonlight Capital of an 11% stake in Migros (DeA Capital proceeds of EUR 11,207 thousand with a capital gain of EUR 3,173 thousand); and
- a fair value adjustment (EUR +4,408 thousand) due to the combined effect of the rise in the price per share (TRY 24.22 per share at 31 December 2019, versus TRY 14.90 per share at 31 December 2018) and the devaluation of the Turkish Lira against the Euro (6.68 TRY/EUR at 31 December 2019, versus 6.06 TRY/EUR at 31 December 2018).

Quaestio Holding S.A.

The investment in Quaestio Holding S.A. (100% parent company of Quaestio Capital Management SGR) is recorded in the financial statements at 31 December 2019 at the purchase cost of EUR 14,525 thousand net of the fair value adjustment (EUR -240 thousand).

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

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

At 31 December 2019, the DeA Capital Group held units in the following funds, including controlled and associated:

- IDeA I FoF (valued at EUR 25.2 million);
- ICF II (valued at EUR 29.8 million);
- ICF III (valued at EUR 12.3 million);
- IDeA OF I (valued at EUR 13.8 million);
- IDeA EESS (valued at EUR 6.9 million);
- IDeA ToI (valued at EUR 16.5 million);
- IDeA CCR I (valued at EUR 1.0 million);
- IDeA CCR II (valued at EUR 3.3 million);
- IDeA Agro (valued at EUR 0.7 million);
- Venere (valued at EUR 1.1 million);
- Santa Palomba (valued at EUR 0.5 million);
- 5 venture capital funds (with a total value of approximately EUR 6.5 million).

For venture capital funds, the fair value of each fund is based on the fund's stated NAV, calculated according to international valuation standards and adjusted if necessary to reflect capital reimbursements/calls that occurred between the reference date for the last available NAV and the balance sheet date.

For the other funds, the fair value of each fund is represented by the NAV advised by the management company in the management report at 31 December 2019, drafted in accordance with the Bank of Italy's regulation on collective asset management of 19 January 2015, as subsequently amended.

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 1.1.2019	Cum. amort. & write-downs at 1.1.2019	Net carrying value at 1.1.2019	Historical cost at 31.12.2019	Cum. amort. & write-downs at 31.12.2019	Net carrying value at 31.12.2019
Concessions, licences and trademarks	350	(350)	0	350	(350)	0
Other intangible assets	0	0	0	22,320	0	22,320
Total	350	(350)	0	22,670	(350)	22,320

(EUR thousand)	Balance at 1.1.2019	Acquisitions	Disposals	Disposals (provision)	Amort.	Balance at 31.12.2019
Concessions, licences and trademarks	0	0	0	0	0	0
Other intangible assets	0	22,320	0	0	0	22,320
Total	0	22,320	0	0	0	22,320

Increases in "Other intangible assets" refer to contractual rights of DeA Capital S.p.A. to receive an amount of EUR 22,320 thousand acquired through specific commitments undertaken by the shareholders of Quaestio Holding as part of the contract for the purchase and sale of the related stake by DeA Capital.

In fact, it should be noted that the acquisition of the relative majority stake in Quaestio Holding S.A. provided for the disbursement of:

- EUR 14,525 thousand for the acquisition of the pro-rata share of the Asset Management assets, object of the acquisition and for this reason recorded under financial fixed assets (investments in associated companies);
- a further EUR 22,320 thousand in recognition of the pro-rata share of the liquidity substantially deriving to Quaestio Holding from the disposals completed between the end of 2019 and the beginning of 2020 of NPL Management and NPL Servicing, respectively, which were not included in the acquisition and were therefore not recognised in the investments. Given DeA Capital's right to receive the same amount (EUR 22,320 thousand) from Quaestio Holding as a result of the agreements in the contract for the sale and purchase of units in the same company, this amount was recognised under intangible assets.

The disbursements defined above, totalling EUR 36,845 thousand, were partly completed by the end of 2019 (EUR 20,335 thousand) and partly at the beginning of 2020 (EUR 16,510 thousand, the latter amount recorded under short-term financial payables).

With reference to the described intangible assets recorded in relation to the contractual rights recognised in the context of the acquisition of a relative majority stake in Quaestio Holding, given the expectations of prompt maturity and collection of the same rights in the first half of 2020, no circumstances were identified such as to require an impairment test.

1b - Tangible assets

Changes in tangible assets are shown in the tables below:

(EUR thousand)	Historical cost at 1.1.2019	Cum. depr. & write-downs at 1.1.2019	Net carrying value at 1.1.2019	Historical cost at 31.12.2019	Cum. depr. & write-downs at 31.12.2019	Net carrying value at 31.12.2019
Plant	7	(6)	1	7	(6)	1
Furniture and fixtures	422	(415)	7	422	(419)	3
Computer and office equipment	85	(78)	7	89	(83)	6
Leasehold improvements	663	(610)	53	663	(661)	2
Leased buildings	2,818	0	0	2,929	(450)	2,479
Leased vehicles	76	0	0	71	(29)	42
Other tangible assets	0	0	0	10	(2)	8
Non-depreciable tangible assets	37	0	37	37	0	37
Total	4,108	(1,109)	105	4,228	(1,650)	2,578

(EUR thousand)	Balance at 1.1.2019	Acquisitions	Disposals (at cost)	Disposals (provision)	Depr.	Balance at 31.12.2019
Plant	1	0	0	0	0	1
Furniture and fixtures	7	0	0	0	(4)	3
Computer and office equipment	7	7	(3)	3	(8)	6
Leasehold improvements	53	0	0	0	(51)	2
Leased buildings	2,818	111	0	0	(450)	2,479
Leased vehicles	76	0	(5)	0	(29)	42
Other tangible assets	0	10	0	0	(2)	8
Non-depreciable tangible assets	37	0	0	0	0	37
Total	2,999	128	(8)	3	(544)	2,578

Tangible assets stood at EUR 2,578 thousand at 31 December 2019 (compared with EUR 105 thousand at 31 December 2018, or EUR 2,999 thousand taking into account the increase of EUR 2,894 thousand associated with the application, from 1 January 2019, of IFRS 16), after deducting amortisation and depreciation for the period of EUR -544 thousand.

Specifically, following the application of IFRS 16 from 1 January 2019, the following rights of use were recorded under tangible assets:

- to the buildings used by the company as headquarters, in particular Via Brera 21, Milan, which has been leased to DeA Capital since 2013;
- to leased vehicles.

The rights of use of the property at Via Brera 21 in Milan for the portion pertaining to DeA Capital are recorded under the item Tangible assets, while the share pertaining to the DeA Capital Group companies are recorded under the item "Non-current lease financial receivables" and "Current lease financial receivables"

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

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

Details of the existing investments at 31 December 2019 are shown in the table below.

(EUR thousand)	% shareholding at 31.12.2019	Value at 31.12.2019	% shareholding at 31.12.2018	Value at 31.12.2018
DeA Capital Partecipazioni S.p.A.	100.00%	138,500	100.00%	146,169
IDeA Opportunity Fund I	46.99%	13,829	46.99%	15,184
DeA Capital Real Estate SGR S.p.A.	9.03%	12,300	3.06%	4,455
DeA Capital Alternative Funds SGR S.p.A.	100.00%	63,500	100.00%	47,100
Total		228,129		212,908

The changes in the item in question at 31 December 2019 compared with the end of 2018 are detailed below, separately by asset.

DeA Capital Partecipazioni S.p.A.

The investment in the Consolidated Financial Statements for the Year Ending 31 December 2019 is approximately EUR 138,500. The change in the carrying value compared with 31 December 2018 was due to contributions by the Parent Company of EUR +1,000 thousand and the adverse change in fair value of around EUR -8,669 thousand.

It should be noted 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 determining the value of the holdings in DeA Capital Real Estate SGR S.p.A. (see point below) and YARD S.p.A.

IDeA Opportunity Fund I (IDeA OF I)

The units in IDeA OF I are valued at around EUR 13,829 thousand in the Financial Statements to 31 December 2019. The change in the carrying value compared with 31 December 2018 was due to contributions made for capital calls totalling EUR -1,017 thousand and the adverse change in fair value of around EUR -338 thousand.

The fair value of each fund is represented by the NAV declared by the management company in the fund management report for the year ending 31 December 2019, drafted in accordance with the Bank of Italy's regulation of 19 January 2015 on collective asset management, as amended.

DeA Capital Real Estate SGR S.p.A.

The investment in the Consolidated Financial Statements for the Year Ending 31 December 2019 is approximately EUR 12,300 thousand. The change of EUR 7,845 thousand compared with 31 December 2018 is due to the acquisition of 5.97% of DeA Capital Real Estate SGR S.p.A. from Carispezia for approximately EUR 8,624 thousand and the unfavourable change in fair value of approximately EUR -779 thousand.

We reiterate that the economic value of the Subsidiary DeA Capital Real Estate SGR S.p.A. was estimated by considering the value in use as the sum of the present value of dividend flows (DDM, or dividend discount model) expected from DeA Capital Real Estate SGR for the specific period covered by the forecasts (2020-2022) and for future periods (using a projected normalised terminal value).

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 the company's projections of future returns for the various funds under management.

The valuation was based on a cost of capital of between +10.5% and +11.5% plus a terminal value based on growth ("g") assumptions of between 1.6% and 2.00%.

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/+3.6 million (for changes of +0.5% and -0.5% in the cost of capital) and EUR -0.8/0.9 million (for changes of -0.2% and +0.2% in the rate of growth "g").

DeA Capital Alternative Funds SGR S.p.A.

The investment in the Consolidated Financial Statements for the Year Ending 31 December 2019 is approximately EUR 63,500 thousand. The change in the carrying value compared with 31 December 2018 of EUR 16,400 thousand was due to contributions made for capital calls totalling EUR +12,200 thousand and a net increase in fair value of around EUR +4,200 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 (2020-2024) and for those in future (using a projected normalised terminal value).

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 +8.9% and +11.4%, depending on (i) the period of the flows (2020-2024 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 of 1.6% and 2.0%.

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of IDeA 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 -3.1/+3.5 million (for changes of +0.5% and -0.5% in the discount rate) and EUR -0.7/+0.7 million (for changes of -0.2% and +0.2% in the rate of growth "g").

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

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	97,600,227	12,005,819	100.00%	97,600,227	138,500,000
IDeA Opportunity Fund I	Milan, Italy	Euro	-	29,431,823	(719,109)	46.99%	13,830,014	13,829,083
DeA Capital Real Estate SGR S.p.A.	Rome, Italy	Euro	16,757,557	136,330,106	9,373,385	9.03%	12,310,609	12,300,000
DeA Capital Alternative Funds SGR S.p.A.	Milan, Italy	Euro	1,300,000	24,237,335	4,885,834	100.00%	24,237,335	63,500,000
Totale					25,545,929		147,978,185	228,129,083

2b - Investments in associated companies and funds

The holdings in the Companies and the Associated Funds are measured at fair value, pursuant to IAS 28 and IFRS 13.

At 31 December 2019, this item totalled EUR 22,380 thousand, as shown in the following table.

(EUR thousand)	Balance at 1.1.2019	Capital increases	Capital decreases	Fair value adjustment	Balance at 31.12.2019
Venere	1,884	0	(609)	(128)	1,147
Quaestio Holding S.A.	0	14,525	0	(240)	14,285
IDeA EESS	9,304	179	(2,766)	231	6,948
Total	11,188	14,704	(3,375)	(137)	22,380

The changes in the item under review at 31 December 2019 compared with the end of 2018 relate to:

- a decrease of EUR -609 thousand in the units of Venere due to the capital redemptions during the year;
- an increase of EUR +14,525 thousand for the purchase of shares in Quaestio Holding S.A., 100% parent company of Quaestio Capital Management SGR. The shares held by the Parent Company at year end represent 38.82% of the entire share capital of Quaestio Holding S.A.. The holding is classified among associated companies since the “reinforced” majority quorums provided for in the governance agreements required by the new Shareholders’ Agreement, entered into among the shareholders upon completion of the acquisition, prevent individual shareholders from making autonomous resolutions on key issues for the governance of the company;
- a decrease of EUR - 2,587 thousand of the units of IDeA EESS due to the *capital calls* paid during the year of EUR +179 thousand and capital redemptions received of EUR -2,766 thousand;
- the fair value measurement of associated companies resulting in a change of EUR -128 thousand for Venere, EUR -240 thousand for Quaestio and EUR +231 thousand for IDeA EESS.

2c - Holdings in other companies measured at fair value through P&L

The item, equal to EUR 50,640 thousand as at 31 December 2019, includes the holdings in Crescita S.p.A., in IDeAMI S.p.A. in liquidation, in Category A Equity Instruments, in Toi Due S.r.l. and in Kenan Investments S.A., as shown in the following table:

(EUR thousand)	Balance at 1.1.2019	Increases (capital call/ purchase)	Decreases (capital distribution)	Fair value adjustment	Realized gain	Balance at 31.12.2019
Cellularline S.p.A.	7,514	201	0	(926)	0	6,789
IDeAMI S.p.A. in liquidation	23,820	0	0	(1,399)	0	22,421
Equity Financial Instruments	28	108	(11)	565	0	690
Toi Due S.r.l.	0	5,000	0	0	0	5,000
Kenan Investments S.A.	19,366	0	(11,207)	4,408	3,173	15,740
Harvip Investimenti S.p.A.	184	0	(600)	0	416	0
Total	50,912	5,309	(11,818)	2,648	3,589	50,640

The changes in the item under review at 31 December 2019 compared with the end of 2018 relate to:

- an increase of EUR +201 thousand for the purchase of shares in 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 Cellular Group companies. The shares held by the Parent Company at year end represent 4.4% of the entire share capital of the combined entity;
- the placement through accelerated book building of a stake in Migros, which resulted in a decrease in Kenan Investments S.A. of EUR -11,207 thousand with a capital gain of EUR 3,173 thousand;
- an increase of EUR +108 thousand for the acquisition from Inarcassa S.p.A. of 5% of the Equity Financial Instruments issued by DeA Capital Real Estate SGR;
- an increase of EUR +5,000 thousand for the purchase of units in Toi Due S.r.l, the company holding the controlling stake in the Alice Pizza Group;
- a decrease of EUR -184 for the sale of Harvip Investimenti S.p.A., with a capital gain of EUR +416 thousand;
- the fair value measurement of Holdings in Other Companies which led to a change of EUR -926 thousand for Cellularline S.p.A., EUR -1,399 thousand for IDeAMI S.p.A., EUR +565 thousand in Equity Financial Instruments and EUR +4,408 thousand for Kenan Investments S.A..

It is noted that as from 12 December 2019, trading on the AIM Italia market for ordinary shares and warrants issued by IDeAMI S.p.A. was revoked and the process of liquidating the company began.

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.

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

This item relates to investments in 5 venture capital funds totalling EUR 6,511 thousand (compared with EUR 8,970 thousand at the end of 2018) and 8 closed-end mutual investment funds (of EUR 89,203 thousand compared with EUR 89,697 thousand at the end of 2018), as shown in the table below.

(EUR thousand)	Balance at 1.1.2019	Increases (capital call)	Decreases (capital distribution)	Fair value adjustment	Translation effect	Balance at 31.12.2019
<i>Total venture capital funds</i>	8,970	0	(1,795)	(869)	205	6,511
IDeA I FoF	33,129	491	(5,595)	(2,868)	0	25,158
ICF II	31,305	300	(3,567)	1,752	0	29,789
ICF III Core	894	27	0	123	0	1,044
<i>ICF III Credit & Distressed</i>	3,253	38	0	237	0	3,527
<i>ICF III Emerging Markets</i>	6,246	996	0	507	0	7,748
IDeA ToI	11,878	7,142	(3,136)	620	0	16,504
IDeA CCR I CD	45	0	(11)	(0)	0	34
IDeA CCR I NF	880	78	0	(37)	0	921
IDeA CCR II CD	70	0	(8)	(0)	0	62
IDeA CCR II NF	1,541	1,745	0	(75)	0	3,211
IDeA Agro	15	702	0	(22)	0	696
Santa Palomba	441	83	0	(15)	0	509
Total funds	98,667	11,600	(14,112)	(646)	205	95,714

During 2019, the Company received capital reimbursements of EUR 14,112 thousand.

Venture capital funds

The units of the venture capital funds amount to approximately EUR 6,511 thousand. The change in the carrying value compared with 31 December 2018 was due to distributions received totalling EUR -1,795 thousand and the adverse change in fair value of around EUR -664 thousand.

Closed-end mutual investment funds

The units of the closed-end funds amount to approximately EUR 89,203 thousand. The change in the carrying value compared with 31 December 2018 was due to contributions made for capital calls totalling EUR 11,600 thousand, capital reimbursements of EUR -12,317 thousand and a net increase in fair value of around EUR +222 thousand.

3 - Non-current assets

3b - Financial receivables for non-current leases

This item, totalling approximately EUR 7,123 thousand, is entirely attributable to the restatement made in light of the application of the new IFRS 16 from 1 January 2019 and refers to the receivable of DeA Capital S.p.A. from companies using the premises in Via Brera 21 in Milan.

4 - Current assets

At 31 December 2019, current assets were approximately EUR 68,069 thousand compared with EUR 105,129 thousand at 31 December 2018.

4a - Trade receivables

This item totalled EUR 331 thousand (EUR 310 thousand at 31 December 2018) and mainly relates to:

- EUR 181 thousand from DeA Capital Alternative Funds SGR, EUR 29 thousand from DeA Capital Real Estate SGR, for the pro rata reimbursement for improvements to leased assets incurred for the building at Via Brera, 21;
- EUR 108 thousand from De Agostini S.p.A. for the agreement to sublet rented premises and the reimbursement of costs associated with said agreement, and for the pro rata reimbursement for improvements to leased assets incurred for the building at Via Brera, 21;
- EUR 10 thousand from Yard S.p.A. for the remuneration of directors with offices in the associated company, paid to DeA Capital.

These receivables break down by region as follows:

- 63.43% from Italian Subsidiaries;
- 32.50% from Italian Parent Company;
- 3.02% from Italian Associates;
- 1.02% from Italian third parties;
- 0.03% from Italian Affiliates.

4c - Financial receivables for current leases

This item, totalling approximately EUR 1,329 thousand, is entirely attributable to the restatement made in light of the application of the new IFRS 16 from 1 January 2019 and refers to the receivable of DeA Capital S.p.A. from companies using the premises in Via Brera 21 in Milan.

4d - Tax receivables relating to the tax consolidation scheme entered into by parent company

This item, totalling EUR 2,413 thousand at 31 December 2019 (zero at 31 December 2018), refers to the receivable from the Parent Company De Agostini S.p.A. (formerly B&D Holding di Marco Drago e C. S.a.p.A.). This referred to the Tax Consolidation.

4e - Other tax receivables

This item, totalling EUR 2,794 thousand (EUR 3,591 thousand at 31 December 2018), relates to:

- tax deductions in the form of advance payments on interest of EUR 2 thousand;
- withholding taxes by DeA Capital Alternative Funds SGR on income distributions by IDeA I FoF and ICF II of EUR 2,395 thousand;
- advance payments made in relation to foreign direct and indirect taxes in Luxembourg of EUR 19 thousand;
- a receivable of EUR 284 thousand arising from the settlement of VAT relating to 2019;
- receivable arising from an application for an IRES refund due to the non-deduction of IRAP relating to personnel costs for 2010-2011, of EUR 94 thousand.

4f - Other receivables

These receivables, totalling EUR 44 thousand (EUR 495 thousand at 31 December 2018), relate mainly to prepaid expenses and receivables for guarantee deposits.

These receivables fall due within the next year.

4g - Cash and cash equivalents

Cash and cash equivalents consist of bank deposits and cash (EUR 3 thousand), including interest accrued at 31 December 2019. This item totalled EUR 61,159 thousand at the end of 2019 compared with EUR 100,733 thousand at the end of 2018.

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

- dividend income of EUR +12,000 thousand from DeA Capital Partecipazioni, EUR +1,365 thousand from DeA Capital Real Estate SGR, EUR +282 thousand from Cellularline and EUR +5,000 thousand from DeA Capital Alternative Funds SGR;
- payment of dividends of EUR -31,194 thousand;
- receipt of EUR +6,725 thousand for pay-outs from available-for-sale funds excluding capital calls paid;
- collection of EUR +11,207 thousand for distribution received from Kenan Investments S.A.;
- outlay of EUR -16,568 thousand for the acquisition of the associated company Quaestio Holding, of EUR -5,000 thousand for the subscription of units in Toi Due S.r.l., of EUR -1,000 thousand for the capital increase in the subsidiary DeA Capital Partecipazioni, of EUR -12,200 thousand for the capital increase in the subsidiary DeA Capital Alternative Funds and of EUR -108 thousand for the purchase of Equity Financial Instruments;
- inflow of EUR +600 thousand for the sale of the associated company Harvip Investments S.p.A.;
- inflow of EUR +1,943 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 the Tax Consolidation;
- outflow of EUR -656 thousand for payment of tax advances;
- revenues for services of EUR +336 thousand;
- service expenses, net of reimbursements to parent companies and associates, of EUR -6,246 thousand;
- inflows from stock options exercised by the Company's management totalling EUR +324 thousand.

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

5 - Shareholders' equity

At 31 December 2019, shareholders' equity totalled approximately EUR 466,230 thousand, compared with EUR 475,074 thousand at 31 December 2018.

The decrease of around EUR -8,844 thousand in Shareholders' Equity in 2019 was mainly due to:

- the use of treasury shares for the acquisition of the remaining minority stake (5.97%) in DeA Capital Real Estate SGR from Fondazione Carispezia for EUR 8,046 thousand;
- the distribution of a dividend of EUR -31,197 thousand;
- the profit of EUR +12,451 thousand for the period.

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

5a - Share capital

The cancellation of 40,000,000 treasury shares, as approved by the Extraordinary Shareholders' Meeting of DeA Capital S.p.A. on 18 April 2019, was consummated on 16 August 2019. The operation led to the reduction of the share capital, with a consequent amendment of Article 5 of the Articles of Association, from EUR 306,612,100 to EUR 266,612,100 (of which 6,636,485 are treasury shares in portfolio), represented by shares with a nominal value of EUR 1 each.

5b - Share premium reserve

The item in question changed by EUR -53,977 thousand, from EUR 240,859 thousand at 31 December 2018 to EUR 186,882 thousand at 31 December 2019, due to the use of EUR -31,197 thousand for the distribution of dividends and EUR -22,780 thousand for the cancellation of treasury shares.

5c - Legal reserve

This reserve totalled EUR 61,322 thousand, which was unchanged from the figure at 31 December 2018.

5d - Treasury Shares Reserve

The reserve was negative by EUR -10,415 thousand from EUR -82,766 thousand at 31 December 2018, with the movements as shown below:

	No. of shares	Amount (Euro)
Shares at 31 December 2018	52,858,542	(82,765,896)
<i>Changes in 2019</i>		
<i>Cancellation of own shares</i>	(40,000,000)	62,780,000
<i>Shares issued for stock options and performance shares</i>	(1,047,885)	1,524,571
<i>Transfer of treasury shares for acquisition of shareholding</i>	(5,174,172)	8,045,837
Shares at 31 December 2019	6,636,485	(10,415,488)

5e - Other reserves

Other reserves, totalling EUR -5,172 thousand, comprise:

- a reserve for stock option costs totalling EUR +2,811 thousand;
- a reserve for the merger of the subsidiary IDeA Alternative Investments totalling EUR -831 thousand (unchanged from 31 December 2018);
- a reserve for actuarial gains/losses on the Employee Severance Indemnity of EUR -53 thousand;
- a reserve for the sale of option rights 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;
- the reserve for share issue costs, totalling EUR -7,512 thousand, arising from the costs incurred for the share capital increase in 2007 of EUR -7,828 thousand and the subscription of warrants by the Company's management in 2019 totalling EUR +316 thousand.

5f - Retained earnings (losses) carried forward

This item totalled EUR -45,450 thousand at 31 December 2019, compared with EUR -62,520 thousand at 31 December 2018, mainly on account of the application of the prior year's result.

5g - Profit (loss) for the year

This item includes the profit of EUR +12,451 thousand for FY 2019, compared with a profit of EUR +17,304 thousand for FY 2018.

Art. 2427, para. 1, 7-bis of the Italian Civil Code: details of shareholders' equity items

The table below shows a breakdown of shareholders' equity at 31 December 2019, 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:

Descrizione (valori in Euro)	Amount	Potential use	Amount available	Summary of use in the three previous years	
				to cover losses	for other reasons
Share capital	266,612,100	=	=		
Share premium reserve	186,881,208	A,B,C	186,881,208	=	92,761,526
Legal reserve	61,322,420	B	=	=	=
Profits (losses) of previous and current years	(32,998,020)		=	=	395,278
- of which: Portion from asset revaluation	72,391,282	B (*)	=	=	=
- of which: Other	(105,389,302)	=	=	=	=
Other reserves	(5,172,414)	=	=	=	=
Own Shares	(10,415,488)	=	=	=	=
TOTAL	466,229,806				

Key: A = capital increase, B = to cover loss, C = distribution to shareholders

(#) Payable portion equal to Eur 65,904,003

(*) This portion of the reserve can be used to cover losses only subordinate to the legal reserve

6 - Non-current liabilities

Non-current liabilities totalled EUR 9,779 thousand (EUR 318 thousand at 31 December 2018); these payables are not secured by any company assets.

6a - 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 0.77%; an annual rate of inflation of 1.00%; annual salary growth of 2.50%; and an annual fund growth rate of 2.25%.

Changes in the Employee Severance Indemnity were as follows:

(EUR thousand)	Balance at 1.1.2019	Portion accrued	Payments	Balance at 31.12.2019
Movement in end-of-service payment fund	318	93	(1)	410

The amounts concerned were calculated as follows:

(EUR thousand)	31.12.2019	31.12.2018
Nominal value of end-of-service payment fund	377	324
Discounting effect	33	(6)
Current value of end-of-service payment fund	410	318

6b - Non-current financial liabilities

The item totalled EUR 9,369 thousand and relates to:

- the financial payable recorded following the application of IFRS 16 for the lease of the building in Via Brera 21 in Milan of EUR 9,180 thousand, the leasing contracts for cars in use totalling EUR 19 thousand (EUR 10,931 thousand taking into account the application of IFRS 16 as from 1 January 2019);
- EUR 170 thousand referring to the variable price component (earn-out) following the purchase by the DeA Capital Group of the units previously held by Fondazione Carispezia in DeA Capital Real Estate SGR.

7 - Current liabilities

Total current liabilities amounted to EUR 20,947 thousand (EUR 3,518 thousand at 31 December 2018) and are all due within the following year. These payables are not secured by any company assets.

7a - Trade payables

This item totalled EUR 660 thousand, compared with EUR 1,260 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 73 thousand.

A breakdown of these payables by region is set out below:

- 80.22% due to suppliers in Italy;
- 11.37% due to suppliers in respect of affiliates in Italy;
- 8.22% due to suppliers in Luxembourg;
- 0.19% due to suppliers in the UK.

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

7b - Payables in respect of staff and social security organisations

This item amounted to EUR 1,688 thousand (EUR 830 thousand at 31 December 2018) and breaks down as follows:

- EUR 252 thousand for payables to social security organisations, paid after the end of financial year 2019;
- EUR 1,436 thousand for payables to staff for holidays not taken and accrued bonuses.

7c - Tax payables to subsidiaries

This item has been written off because of the payable to the Parent Company De Agostini S.p.A. of EUR 1,132 thousand at 31 December 2018 (formerly B&D Holding di Marco Drago e C. S.a.p.A.). This referred to the Tax Consolidation.

7d - Tax payables to subsidiaries

This item, which amounts to EUR 64 thousand (unchanged on 31 December 2018), 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.

7e - Other tax payables

This item amounted to EUR 200 thousand (EUR 215 thousand at 31 December 2018) and consists of payables to the tax authorities in respect of taxes deducted from the income of employees and self-employed staff.

7f - Other payables

This item amounted to EUR 17 thousand (unchanged from 31 December 2018) and mainly consists of a payable for dividends not yet paid.

7g - Current financial liabilities

The item totalled EUR 18,318 thousand and relates to:

- the financial payable recorded following the application of IFRS 16 for the lease of the building in Via Brera 21 in Milan of EUR 1,785 thousand, the leasing contracts for cars in use totalling EUR 23 thousand (EUR 1,716 thousand taking into account the application of IFRS 16 as from 1 January 2019);
- EUR 16,510 thousand for the financial payable for the price adjustment relating to the acquisition of the majority interest in Quaestio Holding S.A., which arose together with the intangible assets from contractual rights connected to the same transaction as described in note 1a above.

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 ("CTP").

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 CTP.

On 14 November 2016, the Milan CTP 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 at the Regional Tax Commission of Lombardy which, with a ruling filed on 17 May 2018, rejected the Office's appeal, upheld the contested ruling and upheld the cross-appeal relating to the costs of the spin-off.

On 17 September 2019, the Revenue Agency notified the appeal to the Supreme Court for the reform of the second instance decision, through the Attorney General's Office. The Company appeared within the deadline set to submit its own defence. It is hereby noted that with regard to the second issue, relating to the deductibility of the costs incurred for the demerger, the Attorney General's Office did not formulate any grounds for appeal, therefore the annulment of the alleged tax liability can be considered to be final.

Notes to the Income Statement

8 - Revenues and income

8a - Investment income and expenses

Net income arising from investments totalled EUR 18,504 thousand in FY 2019 (compared with net income of EUR 23,905 thousand in FY 2018).

Details of this item are shown below:

(EUR thousand)	Financial year 2019	Financial year 2018
Dividends from subsidiaries and other income	18,354	7,721
Income from valuation of Dea Capital Allternative Funds SGR S.p.A.	4,200	7,400
Income/(Loss) from valuation of IDeA Opportunity Fund I	(338)	26,738
Loss from valuation of DeA Capital Real Estate SGR S.p.A	(778)	0
Loss from valuation of DeA Capital Partecipazioni S.p.A	(8,669)	0
Income/(Loss) from valuation in subsidiary companies	(5,585)	34,138
Income/(Loss) from valuation of IDeA EESS	231	(809)
Loss from valuation Quaestio Holding S.A.	(240)	0
Loss from valuation of Venere	(127)	(40)
Income/(Loss) from valuation in related companies	(136)	(849)
Dividends from Cellularline S.p.A.	282	0
Realised income by Kenan Investments S.A.	3,174	0
Realised income by Harvip Investments S.p.A.	416	0
Income/(Loss) from valuation of Kenan Investments S.A.	4,407	(25,166)
Loss from valuation of IDeAMI S.p.A. in liquidation	(1,399)	(1,159)
Loss from valuation of Cellularline S.p.A.	(926)	(1,445)
Income/(Loss) from valuation of Participatory Financial Instruments	565	(73)
Capital gains from Venture Capital distributions	49	0
Income from valuation of Venture Capital	0	2,882
Loss from valuation of Venture Capital	(919)	(125)
Income/(Loss) from valuation of IDeA FoF	(2,868)	2,935
Income from valuation of IDeA ICF II	1,752	4,662
Income from valuation of IDeA ICF III	866	1,109
Income/(Loss) from valuation of Santa Palomba	(15)	15
Income/(Loss) from valuation of IDeA ToI	620	(567)
Loss from valuation of IDeA CCR I	(37)	(33)
Loss from valuation of IDeA CCR II	(75)	(122)
Loss from valuation of IDeA Agro	(21)	(18)
Profit/(Loss) from valuation in other investments	5,871	(17,105)
Total investment Income (Losses)	18,504	23,905

Dividends from associates and other income

The item comprises dividends paid out by:

- DeA Capital Partecipazioni S.p.A., in the amount of EUR 12,000 thousand;
- DeA Capital Alternative Funds SGR S.p.A., in the amount of EUR 5,000 thousand;
- DeA Capital Real Estate SGR S.p.A., in the amount of EUR 1,354 thousand.

8b - Service revenues

Income of EUR 1,067 thousand was recorded in 2019 (EUR 2,594 thousand in 2018), attributable to the reimbursement of costs or supply of services, in the following amounts:

- EUR 455 thousand from DeA Capital Real Estate SGR;
- EUR 294 thousand from services rendered to third parties;
- EUR 187 thousand from DeA Capital Alternative Funds SGR;
- EUR 94 thousand from De Agostini S.p.A.;
- EUR 35 thousand from DeA Capital Partecipazioni;
- EUR 2 thousand from Lottomatica.

9 - Operating costs

9a - Personnel costs

Personnel costs totalled EUR 5,494 thousand, compared with EUR 3,332 thousand in 2018.

The item breaks down as follows:

(EUR thousand)	Financial year 2019	Financial year 2018
Salaries and wages	1,677	1,646
Social security charges	560	524
Net remuneration for the Board of Directors	1,533	179
Performance shares cost	1,560	826
End-of-service payment fund	137	130
Other personnel costs	27	27
Total	5,494	3,332

The Parent Company has 18 employees (unchanged from 31 December 2018).

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

Employees	1.1.2019	Recruits	Departures	31.12.2019	Average no.
Senior managers	5	0	1	4	5
Junior managers	6	0	0	6	6
Staff	7	3	2	8	7
Total	18	3	3	18	18

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. Unvested but valid call options on the Company's shares at 31 December 2019 totalled 5,575,773.

On 18 April 2019, the DeA Capital S.p.A. Shareholders' Meeting approved the DeA Capital Performance Share Plan 2019-2021, under which a maximum of 1,300,000 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 2019-2021 Performance Share Plan 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 1,050,000 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.

Also, on 18 April 2019, the DeA Capital S.p.A. Shareholders' Meeting approved the 2019-2021 Share Plan for the CEO of the Company, under which a maximum of 1,750,000 units may be granted for free. The Board of Directors, held on the same date and in implementation of the resolution of the Shareholders' Meeting, resolved to initiate the 2019-2021 Share Plan, conferring to the Chairman of the Board of Directors the necessary powers. The allocated shares will be drawn from treasury shares.

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 have been used to verify the achievement of the targets for the vesting of the units (known as a "claw-back").

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

Note that the terms and conditions of the above-mentioned Performance Share Plan 2019-2021 are described in the Information Prospectus prepared in accordance with art. 84-bis of Consob Resolution No. 11971 of 14 May 1999 (Issuers' Regulations), available to the public at the registered office of DeA Capital S.p.A. and on the Company's website (in the section Corporate Governance/Incentive Plans).

9b - Service costs

The table below shows a breakdown of service costs, which stand at EUR 3,095 thousand in 2019 (EUR 4,809 thousand in 2018). These break down as follows:

(EUR thousand)	Financial year 2019	Financial year 2018
Administrative, tax, legal consultancy and other fees	1,889	1,572
Fees to corporate bodies	198	198
Ordinary maintenance	174	199
Travel expenses	55	73
Utilities and general expenses	643	2,624
Bank charges	29	30
Advertising, conferences, online subscriptions, office supplies	96	102
Other charges	11	11
Total	3,095	4,809

9c - Depreciation and amortisation

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

9d - Other charges

This item totalled EUR 288 thousand (EUR 62 thousand in 2018) and mainly consists of registration tax, municipal taxes and non-deductible VAT to be applied pro-rata.

10 - Financial income and charges

10a - Financial income

Financial income is EUR 1,210 thousand (EUR 326 thousand in 2018), and is broken down as follows:

(EUR thousand)	Financial year 2019	Financial year 2018
Interests income	10	18
Interests income on leasing	203	0
Financial liabilities adjustment	408	0
Exchange gains	589	308
Total	1,210	326

Interest income mainly consists of interest on bank current accounts of EUR 8 thousand, while interest income on leases of EUR 203 thousand relates to financial receivables recorded under the Statement on Financial Position Assets following the application of IFRS 16.

10b - Financial charges

Financial charges are EUR 652 thousand (EUR 202 in 2018). They are made up as follows:

(EUR thousand)	Financial year 2019	Financial year 2018
Interest payable on leasing	262	0
Charges on financial liabilities	5	3
Exchange losses	385	199
Total	652	202

These mainly included interest payable on loans and financial liabilities and losses on hedging derivatives and exchange rates.

- interest expense on leases of EUR 262 thousand, relating to the financial debt recorded in the Statement of Financial Position Liabilities following the application of IFRS 16;
- negative adjustment following the discounting to present value of the Employee Severance Indemnity provisions accrued in 2019, of EUR 5 thousand;
- exchange rate losses of EUR 385 thousand.

11 - Tax

11a - Income tax for the period

At 31 December 2019, no IRAP taxes were recorded because of the negative tax base. This item is constituted by current tax income, amounting to EUR 1,742 thousand, which relates to the benefit from participation in the national tax consolidation scheme of the De Agostini S.p.A. Group (previously B&D Holding di Marco Drago e C. S.a.p.a.).

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:

(EUR thousand)	2019		2018	
	Amount	Rate	Amount	Rate
Profit before tax	10,709		18,390	
Tax on theoretical income	2,570	24.0%	4,414	24.0%
Tax effect of permanent differences				
- Write-downs on equity investments	682	6.4%	4,906	26.7%
- Gains on the sale of minor investments	(857)	-8.0%	0	0.0%
- Introduction effect of IFRS 9	0	0.0%	19,612	106.6%
- Dividends	(4,249)	-39.7%	(1,760)	-9.6%
- Non-deductible interest	15	0.1%	0	0.0%
- Other changes	116	1.1%	109	0.6%
Use of fiscal losses	0	0.0%	(26,149)	-142.2%
Income from tax consolidation scheme	(19)	-0.2%	(50)	-0.3%
Other taxes on foreign income	0	0.0%	4	0.0%
Income tax reported in the income statement	(1,742)		1,086	

12 - 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:

EUR	Financial Year 2019	Financial Year 2018
Parent Company profit/(loss)(A)	12,451,459	17,303,851
Weighted average number of ordinary shares outstanding (B)	258,890,621	253,893,495
Basic earnings/loss per share (EUR per share) (C=A/B)	0.0481	0.0682
Adjustment for dilutive effect	0	0
Net profit/(loss) adjusted for diluted effect (D)	12,451,459	17,303,851
Weighted average number of shares to be issued for the exercise of stock options (E)	0	68,889
Total number of shares outstanding and to be issued (F)	258,890,621	253,962,384
Diluted earnings/loss per share (EUR per share) (G=D/F)	0.0481	0.0682

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 2019, operating activities, as defined above, absorbed cash and cash equivalents of EUR 2,364 thousand (generated EUR 44,131 thousand in 2018). Please see the Cash Flow Statement for information on changes to this item.

In 2019, investment activity absorbed EUR 5,835 thousand (EUR -8 thousand in 2018), mainly related to the acquisition of the contractual rights of DeA Capital S.p.A. relating to the Quaestio Holding S.A. transaction.

In 2019, financing activities absorbed EUR 31,375 thousand (EUR -33,635 thousand in 2018) mainly in relation to the payment of dividends totalling EUR 31,195 thousand.

Cash and cash equivalents totalled EUR 61,159 thousand at the end of FY 2019 (EUR 100,733 thousand at the end of the 2018).

Other information

Commitments

At 31 December 2019, residual commitments for payments to funds totalled EUR 66.2 million, compared with EUR 106.7 million in 2018.

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

EUR m	
Residual commitments to funds – 31.12.2018	106.7
New commitments/change in commitments	(28.8)
Capital Calls	(11.8)
Exchange rate differences	0.1
Residual commitments to funds – 31.12.2019	66.2

With regard to such 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 18 April 2019, 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 holding of up to 20% of the share capital in accordance with the completion of the reduction for EUR 40,000,000 approved by the Extraordinary Shareholders' Meeting on that date, and therefore up to a maximum of approximately 53.3 million shares.

The new plan replaces the previous plan approved by the Shareholders' Meeting on 19 April 2018 (which was scheduled to expire with the approval of the 2018 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 until the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2019, 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, including 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 Company's Board of Directors set the maximum unit price, above which no treasury shares will be purchased, up to the NAV per share indicated in the most recent statement of financial position approved and disclosed to the market.

DeA Capital S.p.A. will disclose the launch date for the share buy-back plan to the market in compliance with current legislation.

The movements of treasury shares during the 2019 financial year are summarised below:

- (i) the allocation of 317,229 treasury shares following the exercise of residual options under the 2014-16 Stock Option Plan with a collection of approximately EUR 324 thousand and 730,656 treasury shares under the 2015-2017 and 2016-2018 Performance Share plans of DeA Capital S.p.A.;
- (ii) the consignment of 5,174,172 treasury shares as consideration for the acquisition of the 5.97% residual of DeA Capital Real Estate SGR;
- (iii) the cancellation of 40,000,000 treasury shares, as approved by the Extraordinary Shareholders' Meeting of DeA Capital S.p.A. on 18 April 2019.

Taking into account the purchases made in previous years on plans from time to time, as well as of the movements of the treasury shares described above, at 31 December 2019, the Company was the owner of 6,636,485 treasury shares (equal to approximately 2.5% of the share capital).

During 2019, 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 18 April 2019, the DeA Capital S.p.A. Shareholders' Meeting approved the 2019-2021 Performance Share Plan, under which a maximum of 1,300,000 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 2019-2021 Performance Share Plan 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 1,050,000 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.

Also, on 18 April 2019, the DeA Capital S.p.A. Shareholders' Meeting approved the 2019-2021 Share Plan for the CEO of the Company, under which a maximum of 1,750,000 units may be granted for free. The Board of Directors, held on the same date and in implementation of the resolution of the Shareholders' Meeting, resolved to initiate the 2019-2021 Share Plan, conferring to the Chairman of the Board of Directors the necessary powers. The allocated shares will be drawn from treasury shares.

The tables below summarise the assumptions made in calculating the fair value of the plans:

Share Plan	plan 2019
No. of options allocated	1,750,000
Average market price at allocation date	1,51
Value at allocation/modification date	2.642.500
Option expiry date	30/06/22

Performance Share	plan 2016	plan 2017	plan 2017	plan 2018	plan 2019
N° units allocated	1,000,000	1,200,000	100,000	1,350,000	1,050,000
Unit value	1.19	1.36	1.27	1.56	1.51
Value at the grant date/amendment date of the regulation	1,190,000	1,632,000	127,000	2,106,000	1,585,500
Expiry date	30/06/20	30/06/21	30/06/21	30/06/22	30/06/23

Related Party transactions

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 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, 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. has 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 tacitly renewed each year, 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, De Agostini S.p.A. The agreement relates to parts of a building located at Via Brera 21, Milan, comprising spaces for office use, warehousing and car parking. The above contract - renewable every 6 years after an initial term of 7 years - provides for the same conditions as the contract in the name of DeA Capital S.p.A..

- 2) DeA Capital S.p.A., DeA Capital Alternative Funds SGR S.p.A. and 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 by notifying the tax authorities of this option pursuant to the 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 than 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 can only be carried out 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 tacitly 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.

Finally, from 1 January 2020, DeA Capital S.p.A. joined the "B&D Holding VAT Group" (promoted by the indirect parent company of DeA Capital S.p.A.), an institution that allows companies in the same group to have a single VAT number and operate for VAT purposes only. Membership is binding for the three year period from 2020 to 2022.

With regard to transactions with Subsidiaries, note the following:

- 1) On 1 January 2013, DeA Capital S.p.A. signed an "Agreement to sub-let property for intended use other than residential use" with subsidiaries DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR. The agreement relates to parts of a building located at Via Brera 21, Milan, comprising spaces for office use, warehousing and car parking. The above contract - renewable every 6 years after an initial term of 7 years - provides for the same conditions as the contract in the name of DeA Capital S.p.A..
- 2) DeA Capital S.p.A. signed "Contracts for the provision of Internal Audit services" with the subsidiaries DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR. These contracts - tacitly renewed annually - were entered into to increase the efficiency and effectiveness of Internal Audit activities with a view to generally strengthening the internal audit function of the Parent Company DeA Capital S.p.A..
- 3) DeA Capital S.p.A. signed "Corporate Services Contracts" with the subsidiaries DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR. These contracts - tacitly renewed annually - were entered into in order to support the legal services of the asset management companies, allowing them to benefit from a common platform of resources and professional functional knowledge for the standardisation and transversality of operating methodologies at Group level.

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

On 29 November 2018, DeA Capital S.p.A. signed a contract with SPAC IDEaMI S.p.A. to provide a wide range of services, such as administrative, corporate, investor relations, logistics and general services, as well as support and consultancy in the search and selection of potential target companies and the structuring of executive procedures for the implementation of Business Combination transactions, which is the essence of SPAC's activities. This contract is terminated as the company was placed under liquidation.

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

	31.12.2019					Financial year 2019				
	Trade receivables	Financial receivables	Tax receivables	Tax payables	Trade payables	Revenues for services	Financial income	Tax income	Personnel costs net of recharged (*)	Service costs
EUR thousand										
DeA Capital Alternative Funds SGR S.p.A.	180	2,396	-	64	-	187	57	-	307	-
DeA Capital Real Estate SGR S.p.A.	29	4,500	-	-	-	455	108	-	98	-
DeA Capital Partecipazione S.p.A.	-	-	-	-	-	35	-	-	10	-
Yard S.p.A.	10	-	-	-	-	-	-	-	10	-
IDeaMi S.p.A. in liquidation	-	-	-	-	-	240	-	-	43	-
De Agostini S.p.A.	108	1,417	2,413	-	-	94	34	1,742	(40)	(620)
De Agostini Publishing Italia S.p.A.	-	-	-	-	-	-	-	-	-	(1)
De Agostini Scuola S.p.A.	-	-	-	-	-	-	-	-	-	(6)
DeA Planeta Libri S.p.A.	-	-	-	-	2	-	-	-	-	(2)
Lottomatica S.p.A.	-	140	-	-	-	2	4	-	-	-
De Agostini Editore S.p.A.	-	-	-	-	73	-	-	-	-	(238)
Total related parties	327	8,453	2,413	64	75	1,013	203	1,742	428	(867)
Total financial statement line item	331	8,453	2,413	64	1,260	1,067	203	1,742	(5,494)	(3,095)
As % of financial statement line item	98.8%	100.0%	100.0%	100.0%	6.0%	94.9%	100.0%	100.0%	(7.8%)	28.0%

(*) 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 2019, 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 Pellicoli	Chairman	2019	Approval fin. statements 2021	30	0	0	0	0
Paolo Ceretti	Chief Executive Officer	2019	Approval fin. statements 2021	510	0	844	0	5
Lino Benassi	Director	until at 18 april 2019	-	9	0	0	0	0
Dario Frigerio	Director	from 18 april 2019	Approval fin. statements 2021	21	0	0	0	27
Dario Mereghetti	Director	from 18 april 2019	Approval fin. statements 2021	21	0	0	0	4
Carlo Ferrari Ardicini	Director	2019	Approval fin. statements 2021	30	0	0	0	0
Donatella Busso	Director	2019	Approval fin. statements 2021	30	0	0	0	24
Francesca Golfetto	Director	2019	Approval fin. statements 2021	30	0	0	0	5
Marco Drago	Director	2019	Approval fin. statements 2021	30	0	0	0	0
Severino Salvemini	Director	until at 18 april 2019	-	9	0	0	0	42
Daniela Toscani	Director	2019	Approval fin. statements 2021	30	0	0	0	15
Elena Vasco	Director	2019	Approval fin. statements 2021	30	0	0	0	21
Marco Boroli	Director	2019	Approval fin. statements 2021	30	0	0	0	0
Cesare Grifoni	Chairman of the Board of Statutory Auditors	2019	Approval fin. statements 2021	45	0	0	7	10
Fabio Facchini	Permanent Auditor	2019	Approval fin. statements 2021	30	0	0	0	0
Annalisa Donesana	Permanent Auditor	2019	Approval fin. statements 2021	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 2019, annual salaries and bonuses, excluding benefits in kind, paid to managers with strategic responsibilities in the Parent Company totalled about EUR 265 thousand for FY 2019.

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 1.1.2019	No. of shares purchased	No. of shares sold	No. of shares held at 31.12.2019
Lorenzo Pellicoli	DeA Capital S.p.A.	2,566,323	0	0	2,566,323
Paolo Ceretti	DeA Capital S.p.A.	1,473,057	604,039	0	2,077,096
Senior managers with strategic responsibilities	DeA Capital S.p.A.	811,529	288,471	0	1,100,000
Total		4,850,909	892,510	0	5,743,419

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.

Note that Directors Lorenzo Pellicoli, Marco Drago and Marco Boroli own shares of B&D Holding di Marco Drago e C. S.a.p.a. and directors Marco Drago and Marco Boroli own shares of De Agostini S.p.A., a Company they control directly and indirectly, and they are parties to a shareholders' agreement covering these shares.

Long Term Incentive Plans assigned 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 2019			Options granted during 2019			Options exercised during 2019	Options lapsed/ cancelled during 2019	Options outstanding at 31 december 2019		
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	317,229	0	0	0	0

Share Plan		Options outstanding at 1 January 2019			Options granted during 2019			Options exercised during 2019	Options lapsed/ cancelled during 2019	Options outstanding at 31 december 2019		
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	Amm. Delegato	0	0	0	1,750,000	1.51	3	0	0	1,750,000	1.51	3

Lastly, note that managers with strategic responsibilities were assigned 825,000 performance shares in 2019, as shown in the table below.

Performance shares		Units outstanding at 1 January 2019			Units granted during 2019			Units exercised during 2019	Units lapsed/cancelled during 2019	Units outstanding at 31 december 2019		
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	126,943	1.46	4	0	0	0	126,943	0	0	0	0
Paolo Ceretti	CEO	350,000	1.19	4	0	0	0	154,166	0	195,834	1.19	4
Paolo Ceretti	CEO	350,000	1.36	4	0	0	0	0	0	350,000	1.36	4
Paolo Ceretti	CEO	500,000	1.56	4	0	0	0	0	0	500,000	1.56	4
Key Managers		63,471	1.46	4	0	0	0	63,471	0	0	0	0
Key Managers		89,410	1.34	4	0	0	0	89,410	0	0	0	0
Key Managers		450,000	1.19	4	0	0	0	198,215	0	251,785	1.19	4
Key Managers		475,000	1.36	4	0	0	0	0	0	475,000	1.36	4
Key Managers		100,000	1.27	4	0	0	0	0	0	100,000	1.27	4
Key Managers		625,000	1.56	4	0	0	0	0	0	625,000	1.56	4
Key Managers		0	0	0	825,000	1,51	4	0	0	825,000	1.51	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:

(EUR)

INCOME STATEMENT	2018	2017
Revenues	3,215,313	3,820,293
Production costs	(38,467,757)	(30,993,682)
Financial income and charges	89,248,446	77,734,657
Adjustments to the value of financial assets	(19,254,907)	999,226
Taxes for the year	10,284,292	6,814,146
Net profit	45,025,387	58,374,640

STATEMENT OF FINANCIAL POSITION	2018	2017
Non-current assets	3,191,898,486	3,266,200,046
Current assets	171,820,962	324,844,872
Accruals and deferrals	11,611,755	6,943,430
Shareholders' equity	(2,553,379,071)	(2,733,661,348)
Provisions for risks and charges	(48,328,591)	(22,132,436)
End-of-service payment provision	(680,098)	(685,715)
Payables	(770,767,231)	(839,043,607)
Accruals and deferrals	(2,176,212)	(2,465,242)

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 what is 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. Regulatory changes

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 the performance of the Alternative Investment sector 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 holdings held directly or indirectly through funds in which the Company has invested could be affected by factors such as comparable transactions entered into 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

Holding investments in currencies other than the Euro exposes the Company 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.

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 Alternative Investment portfolio

The Alternative 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 address these risk scenarios, the Company pursues an asset allocation strategy aimed at creating 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 assets

In the Alternative Asset Management business, events could lead to excessive concentration of assets and therefore hinder achievement of the level of expected returns. These events could be due to:

- 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;
- 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 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. Operating risks

C.1. Investment operations

Investment operations conducted by the Company 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 Company 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 Company.

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 position and operations of investee companies, and the value of the investment.

C.3. Divestment operations

In its Alternative 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.4. 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 by both 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 occurring after the 2019 Consolidated Financial Statements reference date

In relation to significant events after the end of the Financial Year, in particular with reference to the macro-economic framework, the recent spread at a global level of the COVID-19 ("Coronavirus") should be noted. This may constitute a new and significant factor in the instability of the framework itself, capable above all of affecting our ability to enhance the portfolio assets and to raise funds.

Further information

Publication of the 2019 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.

Atypical or unusual transactions

In 2019, there were no atypical or unusual transactions as these are defined by Consob Communication 6064293 of 28 July 2006.

Significant non-recurring events and transactions

In 2019, the Group did not undertake any significant non-recurring transactions as defined by the above-mentioned Consob Communication.