

DEA CAPITAL S.p.A.

ANNUAL REPORT AT 31 DECEMBER 2019

DEA CAPITAL

A large, faint, light blue compass rose is centered in the background of the page. It features a circular border and numerous sharp, triangular points radiating from the center, resembling a stylized star or a compass rose.

**DEA CAPITAL S.p.A.**

Registered Office at Via Brera, 21 - 20121 Milan

Share Capital of Euro 266,612,100, fully paid up

Tax Code, VAT reg. no. and Milan Register of Companies no. 07918170015



**NOTICE OF  
SHAREHOLDERS'  
MEETING**

# DEA CAPITAL S.p.A.

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Registered Office at Via Brera 21, 20121 Milan

Share capital of EUR 266,612,100, fully paid up

Tax code and registration in the Milan Companies Register No. 07918170015

Member of the "IVA B & D Holding Group" VAT No. 02611940038, Milan REA 1833926

Company subject to the management and co-ordination of De Agostini S.p.A.

## NOTICE OF SHAREHOLDERS' MEETING

The entitled parties are hereby summoned to the ordinary Shareholders' Meeting to be held via teleconferencing, as specified above - in Milan at the company's registered office in via Brera 21:

- at 10.00 a.m. on Monday 20 April 2020 on first call;
- at 10 a.m. on Thursday 24 April 2020, on second call,  
to discuss and resolve on the following

### Agenda

- 1.** Approval of the Annual Financial Statements for the year ended 31 December 2019. Partial distribution of the share premium reserve. Related and consequent resolutions. Presentation of the Consolidated Financial Statements of the Group headed by DeA Capital S.p.A. for the year ended 31 December 2019;
- 2.** Authorisation to buy and sell treasury shares. Related and consequent resolutions;
- 3.** Approval of a performance share plan reserved for some employees and / or directors holding particular offices of DeA Capital S.p.A., the companies controlled by it and the parent company pursuant to Article 114-*bis* of Legislative Decree 24 February 1998 No. 58 ("TUF"). Related and consequent resolutions;
- 4.** Presentation of the report on the remuneration policy and the remuneration paid pursuant to Article 123-*ter*, TUF [Consolidated Finance Law]. Related and consequent resolutions:
  - 4.1** Approval of Section I - Remuneration Policy for FY 2020;
  - 4.2** Resolutions on Section II - Payments 2019.

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### **Presentation of proposals for resolution/addition to the agenda**

Shareholders who, individually or jointly, represent at least 2.5% of the share capital may submit a request, within ten days of publication of this notice (i.e. by **Monday, 30 March 2020**), for items to be incorporated into the meeting agenda, indicating on the request the topics suggested, and they may also submit proposals for resolutions concerning items already included on the agenda.

The application, together with the certification certifying the ownership of the shares issued pursuant to the provisions in force by the intermediaries who keep the accounts on which the shares of the requesting shareholders are registered, must be sent in writing via e-mail to [deacapital@legalmail.it](mailto:deacapital@legalmail.it), together with information identifying the relevant shareholders (in this regard, please also provide a telephone number at which they can be contacted). Shareholders submitting such requests must also provide, by the same deadline and by the same means, a report setting out the reasons for the proposals for resolution/addition to the agenda of the new items or the reasons for the additional proposals for resolution relating to items already on the agenda. The Company is responsible for notifying shareholders of the addition to the meeting agenda of any new items or additional proposals relating to existing items, in the same form as for the publication of this notice of shareholders' meeting, at least fifteen days before the scheduled first-call meeting date.

At the same time as publication of the notice confirming incorporation into the agenda of new items or proposals for deliberations on existing items, the proposals for incorporation/deliberation, together with the corresponding reports submitted by the shareholders concerned and any opinion of the Board of Directors, must be disclosed to the public pursuant to Article 125-ter, para. 1, of the TUF.

No additions may be made to the agenda on matters which, pursuant to current laws, must be proposed by the Board of Directors or refer to a plan or report prepared by them, other than proposals relating to the subject areas listed in Article 125-ter, para. 1, of the TUF.

### **Right to ask questions about items on the agenda**

Those who are entitled to vote may raise questions about items on the agenda, including in advance of the meeting. Requests, together with the certification issued pursuant to the current provisions by the intermediaries who keep the accounts on which the shares of the entitled party certifying the ownership of the participation are registered, can be sent via email to [ir@deacapital.com](mailto:ir@deacapital.com). Applications must reach the Company by the end of the fifth open market day prior to the date of the Shareholders' Meeting on first call (i.e., by 9 April 2020). Provided that questions are received before the meeting and by the requisite deadline, a response will be provided, at the latest, during the meeting itself. The Company may provide a single response to questions with the same content. The Company reserves the right to provide the information requested with queries received before the Shareholders' Meeting through a special "Questions and Answers" space, prepared as necessary and available on the Company's Internet address [www.deacapital.com](http://www.deacapital.com) (Corporate Governance/ Shareholders' Meeting section); in this case, no answer will be due at the Shareholders' Meeting.

## Entitlement to take part in Shareholders' meetings

Shareholders are eligible to take part in shareholders' meetings if they are registered as holding voting rights on the accounting date – i.e. by the close of business on the seventh trading day before the date scheduled for the first-call meeting on **7 April 2020** (record date) and for which the requisite statement has been received from the authorised intermediary by the Company. Those who only become shareholders after that date will not be entitled to take part or vote in the Shareholders' meeting.

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

## Participation of shareholders in the Shareholders' Meeting

Pursuant to Article 106, comma of Law Decree No.18 of 17 March 2020 (so-called "*Cura Italia*" Decree), the Shareholders' Meeting will be held exclusively via telecommunication and **participation in the Shareholders' Meeting by those who have the right to vote is allowed only through a designated representative** commissioned by the Company pursuant to Article 135-*undecies* of Legislative Decree no. 58/98, to whom a proxy will have to be provided, according to the following terms and conditions.

The Company has commissioned Computershare S.p.A. - with registered office in Milan, via Mascheroni No. 19, 20145 - to represent the shareholders pursuant to Article 135-*undecies* of Legislative Decree no. 58/98 and the aforementioned Law Decree (the "**Designated Representative**").

The Directors and Statutory Auditors as well as other entitled parties pursuant to the law, other than those with voting rights, will be able to attend the Shareholders' Meeting via teleconferencing which also enable them to be identified. The instructions for participation in the Shareholders' Meeting via teleconferencing will be announced by the Company to interested parties.

## Provision of a proxy through a designated representative

Shareholders wishing to attend the Shareholders' Meeting will therefore have to provide a proxy to the Designated Representative - with voting instructions - covering all or some of the resolution proposals regarding the items on the agenda using the specific proxy form, including in digital form, prepared by the same Designated Representative in agreement with the Company, available on the Company's website at [www.deacapital.com](http://www.deacapital.com) (in the Corporate Governance/Shareholders' Meeting section) where the link to a procedure for the electronic submission of the proxy is located.

The proxy form with voting instructions must be sent by following the instructions on the form itself and on the Company's website by the second market day preceding the shareholders' meeting (i.e. by **16 April 2020** in relation to the first call or within on **April 22, 2020** in relation to the second call) and can be revoked within the same deadlines.

A proxy thus conferred is effective only for the proposals in relation to which voting instructions have been granted.

It should be noted that the shares for which the proxy, even if partial, has been conferred, are counted for the purposes of the regular constitution of the Shareholders' Meeting. In relation to the proposals for which voting instructions have not been given, the shares are not counted for the purposes of calculating the majority and the share of capital required for the approval of the resolutions.

It should also be noted that the Designated Representative may also be granted proxies or sub-delegations pursuant to Article 135-*novies* of the TUF, notwithstanding Article 135-*undecies*, paragraph 4 of the TUF in the manner and within the terms indicated on the aforementioned website of the Company.

The Designated Representative will be available for clarifications or information at 02-46776819 or at the e-mail address [ufficiomi@computershare.it](mailto:ufficiomi@computershare.it).

## Share capital and voting shares

The share capital is €266,612,100 divided into 266.612.100 ordinary shares, all with a nominal unit value of Euro 1.00.

Each ordinary share gives the right to one vote in the Shareholders' Meeting (excluding ordinary treasury shares, on 10 March 2020 equal to 6,636,485 shares, the voting rights of which are suspended pursuant to the law). However, please note that the Shareholders' Meeting of 17 April 2015 amended Article 9 of the Articles of Association, introducing the increased voting rights mechanism, pursuant to Article 127-*quinquies* of the TUF. Specifically, pursuant to the aforementioned Article 9, two voting rights will be allocated for every ordinary DeA Capital share held by the same shareholder of the Company, pursuant to a legal title establishing entitlement, for a continuous period of at least 24 months, starting from the registration of the shareholder on a special list, which will be set up and maintained by the Company at its registered office. Following the increases in voting rights which occurred at the date of publication of this notice, the total number of voting rights is equal to no. 268,154,301. For the list of relevant shareholders that have requested registration on the shares with increased voting rights list of DeA Capital S.p.A. that have obtained increased voting rights, see the "Corporate Governance/Loyalty Shares" section of the website [www.deacapital.com](http://www.deacapital.com).

## Documentation and information

Please note that documentation relating to the items on the agenda that is required by law or under regulatory provisions will be provided through the public's website at [www.deacapital.com](http://www.deacapital.com) (Corporate Governance/ Shareholder's Meeting section), at the 1info authorized storage mechanism, at [www.1info.it](http://www.1info.it), and in any case in the manner provided pursuant to the regulations in force under the terms and conditions prescribed therein and the Shareholders and others entitled to attend the Shareholders' Meeting will have the right to obtain a copy. The following, in particular, will be provided to the public:

- from today, at the same time as the publication of this notice, the Directors' Report on items 1 and 3 and the information document required pursuant prepared to Article 84-*bis* of the Consob Issuer Regulation 11971;
- on 27 March 2020, the annual financial statements and other documents referred to in Article 154-ter, of Legislative Decree no. 58/1998, the report on the remuneration policy and the remuneration paid;
- From 30 March 2020 the directors' report on point 2 of the agenda.

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

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This convocation notice is published, pursuant to Article 125-*bis* of the TUF, on the Company's website ([www.deacapital.com](http://www.deacapital.com)), according to the other procedures provided for under existing legislation, and as an excerpt in the newspaper *Milano Finanza*.

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In relation to the state of emergency declared by the Council of Ministers as a consequence of the health risk associated with the "Coronavirus" infection as well as the related containment measures, the Company reserves the right to provide subsequent updates regarding the Shareholders' Meeting constituting the subject of this notice, including by supplementing and/or amending the instructions stated above.

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Milan, 20 March 2020

For the Board of Directors

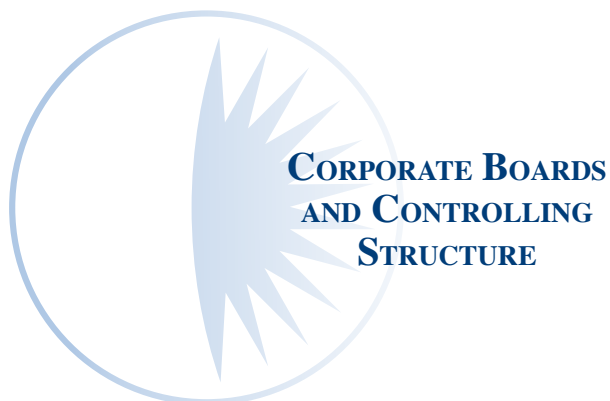
**The Chair of the Board of Directors**

(Lorenzo Pelliccioli)









## Corporate information

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

Share capital: EUR 266,612,100 (fully paid up), comprising 266,612,100 shares with a nominal value of EUR 1 each (including 6,636,485 treasury shares)

Tax code and registration in the Milan Companies Register No. 07918170015 Member of the "IVA B & D Holding Group", VAT No. 02611940038, Milan REA 1833926

## Board of Directors (\*)

### Chairman

Lorenzo Pellicoli

### Chief Executive Officer

Paolo Ceretti

### Directors

Marco Boroli

Donatella Busso <sup>(2 / 5)</sup>

Marco Drago

Carlo Enrico Ferrari Ardicini

Dario Frigerio

Francesca Golfetto <sup>(3 / 5)</sup>

Davide Mereghetti <sup>(3 / 5)</sup>

Daniela Toscani <sup>(1 / 5)</sup>

Elena Vasco <sup>(1 / 4 / 5)</sup>

## Board of Statutory Auditors (\*)

### Chairman

Cesare Andrea Grifoni

### Permanent Auditors

Annalisa Raffaella Donesana

Fabio Facchini

### Deputy Auditors

Andrea Augusto Bonafè

Michele Maranò

Marco Squazzini Viscontini

### Manager responsible for preparing the Company's accounts

Manolo Santilli

### Independent Auditors

PricewaterhouseCoopers S.p.A.

(\*) In office until the approval of the Financial Statements at 31 December 2021

(1) Member of the Control and Risks Committee

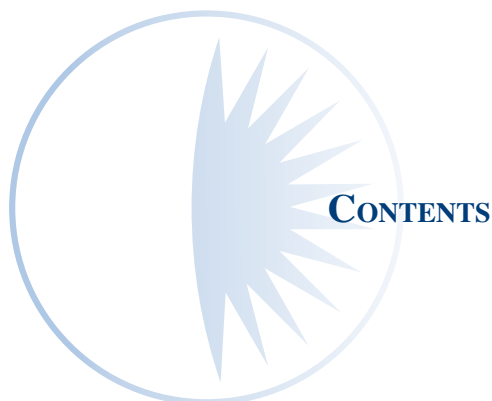
(2) Member and Chairman of the Control and Risks Committee

(3) Member of the Remuneration and Appointments Committee

(4) Member and Chairman of the Remuneration and Appointments Committee

(5) Independent Director





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# Letter

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“In 2019, DeA Capital increased the Platform’s Assets Under Management to over EUR 22 billion, reaffirming its position as the most important Italian Alternative Asset Management operator, with a wide range of investment solutions, ranging from Real Estate to Private Equity to Non-Performing Exposure. The quality of our management teams, our extensive network of national and international relations and our solid financial results place us in the best position to confront the very difficult environment that has been emerging since the beginning of 2020.”

# to the Shareholders

**D**ear Shareholders,

In 2019, Combined Assets Under Management - essentially assets under management by the asset management companies in which DeA Capital has an absolute or relative majority stake - increased to approximately EUR 22,600 million, up more than 90% from EUR 11,880 million at the end of 2018.

The result is attributable to a combination of organic growth in all our business areas - Real Estate, Private Equity and Non-Performing Exposure - and acquisitions to consolidate new management skills (in the Non-Performing Exposure and in investment solutions for institutional investors areas).

The increase in Combined Assets Under Management, achieved for the most part in the last quarter of the year, led to an increase in Management Fees to EUR 64.9 million (+2.5%), with a Net Operating Result of EUR 14.6 million (slightly lower than in 2018, which included some non-recurring extraordinary items).

Our Investment Portfolio reached EUR 387.1 million, up from EUR 366.6 million at the end of 2018, thanks to the positive performance of our assets and the acquisitions completed during the year, in turn substantially financed by the proceeds of the Investment Portfolio itself.

As regards our Net Financial Position, we once again adopted a very careful approach in the allocation of cash resources this year; they stood at approximately EUR 100 million at consolidated level; this focus has enabled us to support the development of our activities in the best possible way and to maintain a policy of active remuneration of the capital invested by Shareholders (which also worked in favour of the share's good performance, +27.3% in 2019).

Overall, we have had another more than positive year, which puts us in a better position to handle the extraordinary uncertainty that opened up in 2020, particularly following the spread of the Covid-19 virus.

We are faced with a situation that is hitherto unknown in the "modern world": health emergencies in almost all developed countries, entire populations subject to strict movement restrictions, paralysed production chains; today the attention is naturally focused on safeguarding the health of the entire community in which we operate, with reference to the future - which we hope is very near - for any considerations regarding the economic and financial repercussions of what we are experiencing.

Even in this very difficult context, and thanks above all to the solidity of our balance sheet and the excellence of our management teams, we believe that DeA Capital will continue to adequately support the assets and companies in which we hold investments.



**Lorenzo Pellicoli**  
*Chairman*



**Paolo Ceretti**  
*Chief Executive Officer*





**REPORT ON  
OPERATIONS**

# Profile of

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With Combined Assets Under Management <sup>(\*)</sup> of over EUR 22,600 million and an investment portfolio of approximately EUR 390 million, DeA Capital S.p.A. is Italy's main independent operator in Alternative Asset Management (for assets under management).

The Group Platform – concentrated on the two subsidiaries, DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR, as well as on the indirect holding in Quaestio Capital Management SGR – is engaged in the promotion, management and development of real estate, private equity and credit investment funds and providing investment solutions for institutional investors.

In support of the Platform's activity, taking advantage of the available capital, DeA Capital S.p.A. has also built an Alternative Investment portfolio over time consisting mainly of funds managed by the two asset management company subsidiaries.

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

- the quality, built up over time, of the management team, which has over 200 professionals dedicated to making investments and managing funds in the most attractive alternative investment asset classes (real estate, private equity and NPE);
- its solid financial position, which enables it to support the launch of new initiatives with its own capital, and hence substantially align its interests with those of the investors in the managed funds;
- an extensive network of international relationships, which makes the DeA Capital Group the preferred Gate-to-Italy for alternative investment decisions in our country that supported the recent launch of the internationalisation strategy in the field of Alternative Asset Management;
- its membership in one of Italy's leading business groups, whose structure is built on a long-term approach that best supports the Company's growth path.

DeA Capital S.p.A. is listed on the FTSE Italia STAR section of the Milan stock exchange and heads the De Agostini Group in the area of financial investments.

(\*) "Combined assets under management" are defined as assets managed by the asset management companies in which the Group holds an absolute or relative majority interest (non-consolidated), and the assets managed by the international subsidiaries. Total commitments are considered for private equity funds.



# DeA Capital S.p.A.

## ALTERNATIVE INVESTMENT

### Platform Investments

In private equity, real estate and NPE funds, direct investments in companies that have co-invested as part of initiatives promoted by the asset management companies.

### Other Investments

In companies operating in Europe and Emerging Europe.

## ALTERNATIVE ASSET MANAGEMENT

9.9 Bn €

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

Asset Under Management: **Eur 9.9 billion**

4.9 Bn €

**DeA Capital Alternative Funds SGR**, which manages alternative investments (private equity and credit funds).

Asset Under Management: **Eur 4.9 billion**

7.6 Bn €

**Quaestio Capital Management SGR**, mainly active in investment solutions for institutional investors.

Asset Under Management: **Eur 7.6 billion**

**DeA Capital Real Estate France, DeACapital Real Estate Iberia, DeA Capital Real Estate Poland**, companies incorporated between the end of 2018 and the end of 2019 with the aim of developing the real estate advisory business for raising funds and real estate advisory and management activities in the French, Iberian and Polish markets, respectively.

**YARD**, which operates in project, property and facility management, appraisals and due diligence, as well as in real estate brokerage.



For further info:  
[www.deacapital.com](http://www.deacapital.com)  
vedere sezioni: *Investimenti e Asset Management*

## Alternative Asset Management

- 100% holding of **DeA Capital Real Estate SGR**, Italy's largest independent real estate asset management company, with assets under management of EUR 9.9 billion and 51 managed funds (including 2 listed funds);
- 100% holding of **DeA Capital Alternative Funds SGR**, which manages alternative investment funds (private equity and credit funds) with Assets Under Management (AUM) of over EUR 4.9 billion and 14 managed funds;
- holding of strategic importance in **Quaestio Capital Management SGR** (38.8%, held indirectly through Quaestio Holding), mainly active in investment solutions for institutional investors, with Assets Under Management for approximately EUR 7.6 billion;
- controlling interest in **DeA Capital Real Estate France** (70.0%) and **DeA Capital Real Estate Iberia** (73.0%), as well as a co-controlling holding in **DeA Capital Real Estate Poland** (50.0%), companies incorporated between the end of 2018 and the end of 2019 with the aim of developing the real estate advisory business for raising funds and real estate advisory and management activities in the French, Iberian and Polish markets, respectively;
- strategically important stake in **YARD** (43.6%), which operates in project, property and facility management, appraisals and due diligence, as well as in real estate brokerage.

## Alternative Investment

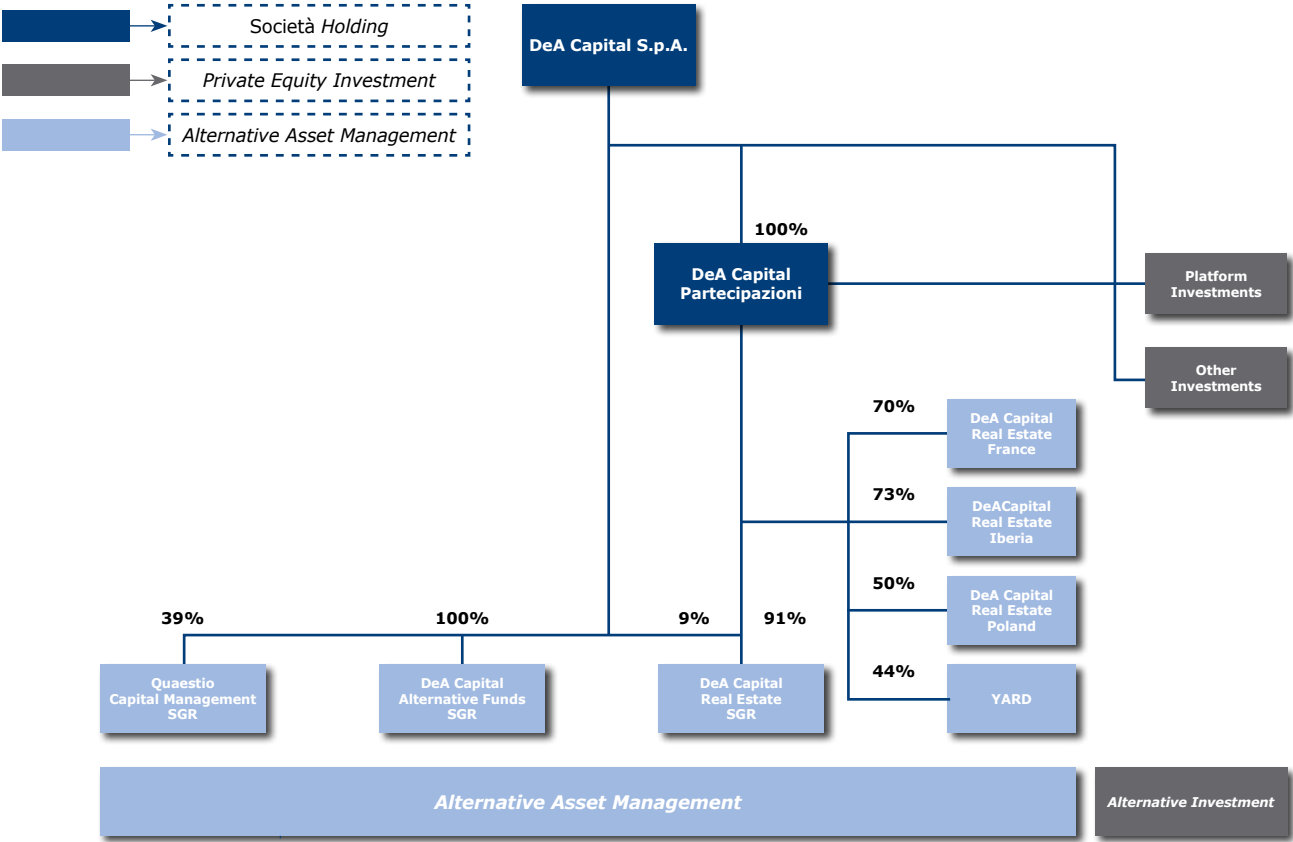
### • Platform Investments

- units in 9 funds managed by the subsidiary DeA Capital Alternative Funds SGR i.e. in the 3 funds of funds **IDeA I Fund of Funds**, **ICF II** and **ICF III**, and the co-investment fund **IDeA Opportunity Fund I**, in the theme funds **IDeA Efficienza Energetica e Sviluppo Sostenibile**, **IDeA Taste of Italy** and **IDeA Agro**, and in the credit funds **IDeA Corporate Credit Recovery I** and **II**;
- units in 2 funds managed by the subsidiary DeA Capital Real Estate SGR;
- other direct investments in companies that have co-invested as part of initiatives promoted by the two asset management companies mentioned above.

### • Other Investments

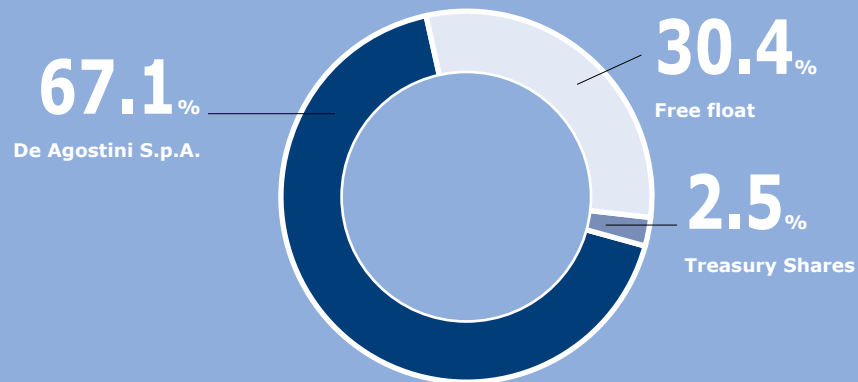
- minority holding in **Migros**, Turkey's leading food retail chain operator, whose shares are listed on the Istanbul Stock Exchange; the holding is held through the Luxembourg-registered company Kenan Investments S.A. (with a holding of 17.1% in Kenan Investments, equating to a fully diluted holding of about 2.0% in Migros);
- minority holding in **Cellularline** (4.4% of the total shares issued), a combined entity of Crescita SPAC and the Cellular Group, listed on the Milan Stock Exchange and owner of the Cellularline brand, an Italian leader in accessories for smartphones and tablets;
- minority holding in **IDeaMI** (9.7% of the total issued shares), SPAC under liquidation;
- units in 5 venture capital funds.

At 31 December 2019, the corporate structure of the Group headed by DeA Capital S.p.A. (the DeA Capital Group or the Group) was summarised below:



# Information

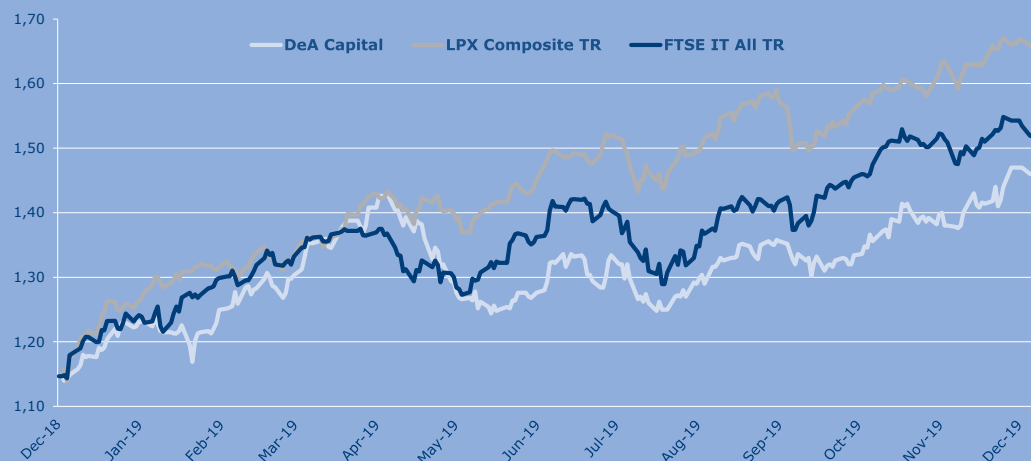
## SHAREHOLDER STRUCTURE OF DEA CAPITAL S.P.A. (#)



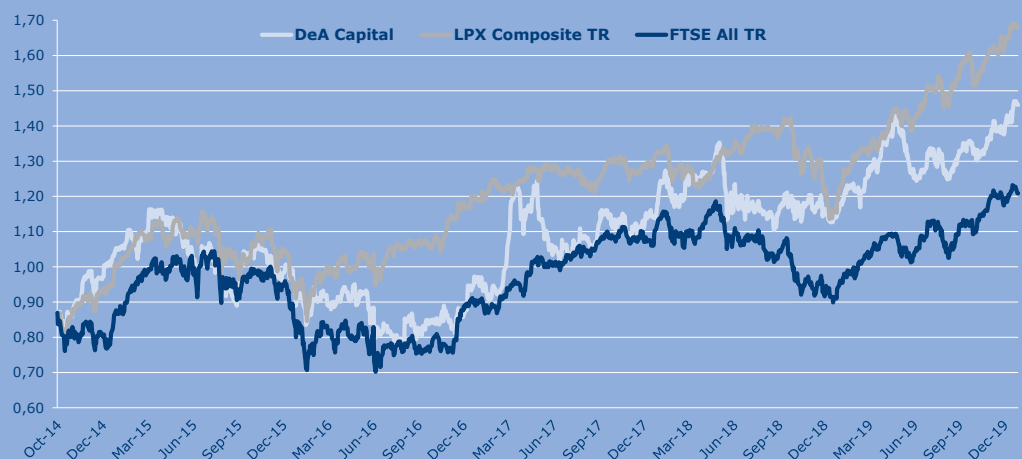
(#) Structure at the date of this document, unchanged with respect to 31 December 2019.

## SHARE PERFORMANCE (°)

From 1 January 2019 to 31 December 2019



From 1 October 2014 to 31 December 2019



(°) Source Bloomberg, price adjusted for the extraordinary dividend distributed in May 2019 (EUR 0.12 per share).

# for shareholders

## Performance of the DeA Capital share

With reference to performance in 2019, the Company's share price rose by +27.3%. In the same period, the FTSE All-Share® TR and LPX Composite® TR recorded performances of +32.5% and +44.6% respectively.

From 1 October 2014, (the closing date for the sale of the holding in GDS) to 31 December 2019, the performance of DeA Capital shares was up +54.5%, while the Italian FTSE All-Share® TR index +39.0% and the LPX Composite® TR index +93.2% (source Bloomberg).

With regard to the share's liquidity, average daily trading volumes stood at around 178,000 shares.

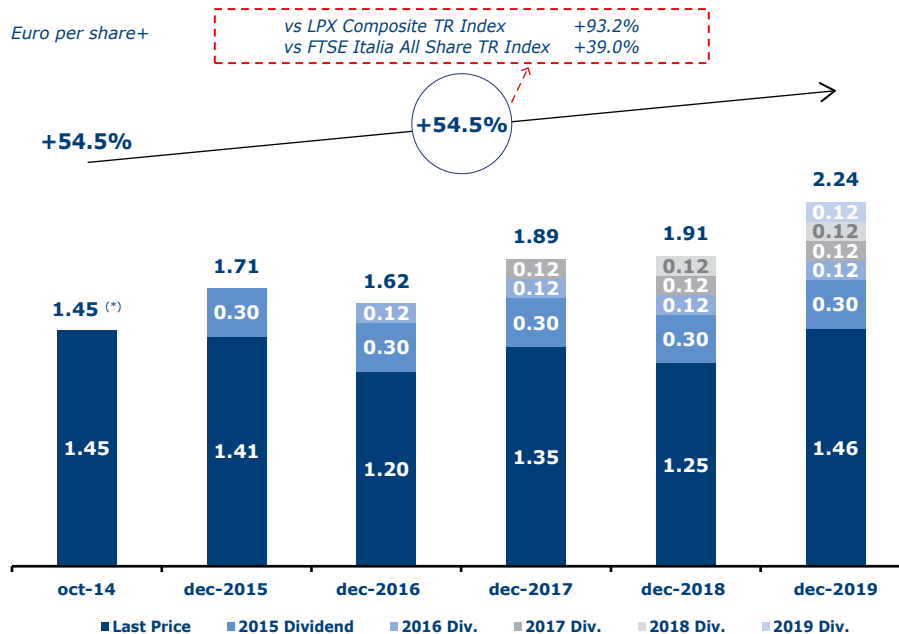
DeA Capital's share prices recorded in 2019 are listed below:

in EUR	1 Jan – 31 Dec 2019
Maximum price	1.47
Minimum price	1.14
Average price	1.31
<b>Price at 31 December 2019</b> (EUR per share)	<b>1.46</b>

(EUR million)	31 Dec 2019
<b>Market capitalisation at 31 December 2019</b>	<b>380</b>

## TOTAL SHAREHOLDER RETURN (\*) – DEA CAPITAL S.P.A.

(Base 1 October 2014, closing date for the sales transaction of Générale de Santé)



(\*) Based on the closing price on 31 December 2019.



For further info:  
[www.deacapital.com](http://www.deacapital.com)  
section: Investor Relations

# Investor Relations

DeA Capital S.p.A. maintains stable and structured relationships with institutional and individual investors. During 2019, the Company increased its **communications activities**, by participating in various events and roadshows: the Milan STAR Conference in March, the "Le Eccellenze del Made in Italy" event in Turin in May, roadshows in Dublin and London during June and the STAR Conference in London in October. The Company met with over forty institutional investors at these events. During the year, the Company also held meetings and conference calls with institutional investors, portfolio managers and financial analysts from Italy and abroad.

The security is currently covered by **research** by the two main intermediaries on the Italian market, Equita SIM and Intermonte SIM, the latter with a specialist role. In addition, since the beginning of 2015, Edison Investment Research, a London-based independent company specialising in equity research, has also started to cover the security. In 2019, Edison's 6 research papers relating to DeA Capital S.p.A. was read by around 5,500 institutional investors and analysts in more than 49 countries in Europe, Australia, North America, Asia and the rest of the world. The research carried out by these intermediaries is available in the Investor Relations/Analyst Coverage section of the website [www.deacapital.com](http://www.deacapital.com).

In December 2008, the DeA Capital security joined the LPX® **indices**, specifically the LPX Composite® and LPX Europe®. The LPX® indices measure the performance of the main listed companies operating in private equity (Listed Private Equity, or LPE) and, thanks to the significant diversification by region and type of investment have become one of the most popular benchmarks for the LPE asset class. The methods used to construct the indices

is published in the LPX Equity Index Guide. For further information, please visit the website: [www.lpx.ch](http://www.lpx.ch). From January 2020 it is also noted that DeA Capital has become part of the FTSE Italia Mid Cap index which is composed of the main Italian companies by capitalisation:

<https://www.borsaitaliana.it/borsa/azioni/mid-cap/lista.html>.

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

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

Investors can subscribe to various mailing lists in order to receive all news on the DeA Capital Group in a timely manner, as well as send questions or requests for information and documents to the Company's Investor Relations area, which is committed to answering queries promptly, as stated in the Investor Relations Policy published on the website.

In this way, DeA Capital S.p.A. is continuing its efforts to strengthen its presence on the web and to make information for stakeholders available through many channels.



DeA Capital Group's Headquarters.



For further info:  
[www.deacapital.com](http://www.deacapital.com)  
section: Investor Relations

### 3. Key Financials

The DeA Capital Group's key operating performance and financial position figures at 31 December 2019 are shown below, compared with the corresponding figures at 31 December 2018.

(Eur million)	31 December 2019	31 December 2018	Change
Combined Asset Under Management	22,609	11,881	90.3%
Asset Under Management "AUM"	14,830	11,881	24.8%
Fee-Paying AUM (*)	12,784	10,457	22.3%
Management fees	64.9	63.3	2.5%
Platform Net Operating Profit (#)	14.6	15.3	(4.6%)
Group Net Profit/(Loss)	12.3	11.1	10.8%

(\*) Amount for management fees calculation.

(#) Sum of the Net Operating Profit of the two subsidiaries asset management companies before the impact of purchase Price Allocation ("PPA"), impairment, and other non recurring items.

(Eur million)	31 December 2019	31 December 2018 (\$)	Change
Investment portfolio	387.1	366.6	20.5
Consolidated Net Financial Position	105.6	101.0	4.6
Net Financial Position - Holding companies	65.8	65.3	0.5
NAV/share (EUR)	1.76	1.72	0.04

(\$): Data at 31.12.18 "adjusted". Data reflects the extraordinary dividend distribution of 0.12 € / share, namely total 31.2 million €, carried in may 2019 and the IFRS 16 effect from 1.1.2019 on the Consolidated Net Financial Position and on the Net financial Position of Holding companies (respectively for -16.1 million € and -2,9 million €).

*It is hereby specified that "Combined assets under management" are defined as assets managed by the asset management companies in which the Group holds an absolute or relative (non-consolidated) majority interest, and the assets managed by the international subsidiaries; overall commitments are considered where Private Equity funds are concerned.*

The table below shows the change in the Group's NAV in 2019:

Change in Group NAV	Total value (EUR m)	No. shares (millions)	Value per share (EUR)
<b>Group NAV at 31.12.2018</b>	<b>466.5</b>	253.8	1.84
Extraordinary dividend distributed	(31.2)		(0.12)
<b>Group NAV at 31.1.2018 "adjusted"</b>	<b>435.3</b>	253.8	1.72
Treasury shares delivered under acquisition minorities	8.0	5.2	1.56*
Treasury shares delivered under incentive plans	0.3	1.0	1.45*
Comprehensive income - Statement of Performance - IAS 1	12.5		
Other changes in NAV	1.4		
<b>GROUP NAV AT 31.12.2019</b>	<b>457.5</b>	<b>260.0</b>	<b>1.76</b>

(\*) Market price at the delivery date of the shares.



The table below provides details of the Group's Statement of Financial Position at 31 December 2019:

	31 December 2019		31 December 2018 "adjusted"	
	M€	€/Sh.	M€	€/Sh.
<i>Alternative Asset Management</i>				
- DeA Capital Real Estate SGR	<b>141.2</b>	0.54	<b>140.4</b>	0.56
- DeA Capital Alternative Funds SGR	<b>55.6</b>	0.21	<b>43.4</b>	0.17
- Quaestio Holding	<b>14.3</b>	0.06	<b>0.0</b>	0.00
- Other (YARD, DeA Capital RE France, Iberia..)	<b>6.6</b>	0.03	<b>6.8</b>	0.03
<b>Total AAM (A)</b>	<b>217.7</b>	<b>0.84</b>	<b>190.6</b>	<b>0.76</b>
<i>Alternative Investment</i>				
- AI Platform Investments	<b>118.0</b>	0.45	<b>116.0</b>	0.45
- AI Other Investments	<b>51.4</b>	0.20	<b>60.0</b>	0.24
Total AI (B)	<b>169.4</b>	0.65	<b>176.0</b>	0.69
<b>Investment Portfolio (A+B)</b>	<b>387.1</b>	<b>1.49</b>	<b>366.6</b>	<b>1.45</b>
Other net assets (liabilities)	<b>4.6</b>	0.02	<b>3.4</b>	0.01
Net Financial Position Holdings	<b>65.8</b>	0.25	<b>65.3</b>	0.26
<b>NAV</b>	<b>457.5</b>	<b>1.76</b>	<b>435.3</b>	<b>1.72</b>

## 4. Significant events during the year

The significant events that occurred in 2019 are reported below.

### ALTERNATIVE ASSET MANAGEMENT

#### New Funds of the Alternative Asset Management Platform

During 2019, the Alternative Asset Management Platform **launched/acquired the management of new funds for Assets Under Management totalling approximately EUR 3 billion.**

In particular, on 05 November 2019 the subsidiary DeA Capital Alternative Funds SGR incorporated the business unit constituted by the assets of **NPL Management of Quaestio SGR**, including the management of the Italian Recovery Fund, **with Assets Under Management of over EUR 2,300 million.** During 2019, the company also launched the "DeA Endowment Fund" fund of funds, obtained the mandate for the management of a portion of the non-reserved closed-end AIF called "Azimut Private Debt" and completed further closings of the IDeA CCR I and IDeA CCR II funds (for more than EUR 200 million).

At the same time, during 2019, the subsidiary DeA Capital Real Estate SGR launched 6 new real estate funds (over EUR 400 million of new assets under management).

#### Internationalisation of the Alternative Asset Management Platform

DeA Capital Real Estate Iberia was established on 27 February 2019, a company under Spanish law. The DeA Capital Group holds 73% with the remaining portion owned by local key managers. The company is designed to develop real estate advisory businesses for raising funds and real estate advisory and management activities in Spain and Portugal, with a special focus on *core+*, value-added and opportunistic investments.

On 18 December 2019, DeA Capital Real Estate Poland, a company incorporated under Polish law, was formed to develop the management of real estate assets on the Polish market; the company is 50% held by the DeA Capital Group, with the other 50% held by Ksiazek Holding, which, in turn, controls Marvipol Development, a company listed on the Warsaw Stock Exchange (active in real estate services and with which a collaboration agreement has also been signed).

Through these initiatives DeA Capital S.p.A. is continuing the project of developing the platform of the real estate segment on a pan-European basis, through subsidiaries and jointly-controlled companies and with the involvement of local senior management teams (already launched through the establishment in 2018 of DeA Capital Real Estate France).



## Acquisition of minority interests in DeA Capital Real Estate SGR

On 1 March 2019, the DeA Capital completed the acquisition of the residual minority interest (5.97%) held by Fondazione Carispezia in DeA Capital Real Estate SGR (now wholly-owned). The price, of EUR 8 million (in addition to an earn-out of up to a maximum of EUR 0.9 million, to be paid in cash when certain new asset under management targets are reached), was settled in DeA Capital S.p.A. treasury shares (5,174,172 shares corresponding to approximately 1.7% of the share capital, valued at EUR 1.555 per share).

## Acquisition of the relative majority holding in Quaestio SGR

In execution of the agreements stipulated in July 2019, on 6 November 2019 the acquisition was completed of the **majority holding (38.8%) of Quaestio Holding**, owner of 100% of Quaestio Capital Management SGR. With the sales of the NPL Management and NPL Servicing businesses completed between the end of 2019 and the beginning of 2020, Quaestio SGR focused its operation on investment solutions for institutional investors (with Assets Under Management amounting to over EUR 7,500 million).

The consideration for the transaction was quantified at approximately EUR 14.5 million, corresponding to an equity value for 100% of the company equal to approximately EUR 37.3 million.

Added to the aforesaid amount was a price supplement (EUR 22.3 million) substantially equal to the pro-rata portion of liquidity in the Quaestio Group resulting from the aforementioned divestments of NPL Management and NPL Servicing businesses. In view of the commitment made by the parties to distribute this liquidity to shareholders as soon as possible, DeA Capital S.p.A. included the above amount (EUR 22.3 million) in the net financial position operating indicator.

Post-acquisition, the **company structure of Quaestio Holding** is composed as follows:

- DeA Capital S.p.A. with a 38.82% interest;
- Fondazione Cariplo, with a 34.01% interest;
- other institutional investors (Cassa Italiana di Previdenza ed Assistenza dei Geometri Liberi Professionisti - Italian Welfare and Assistance Fund for Freelance Surveyors, Cassa di Risparmio di Forlì Foundation and Direzione Generale Opere Don Bosco) with an overall stake of 27.17%.

Finally, it should be noted that a **new five-year shareholders' agreement between the shareholders of Quaestio Holding** was signed, aimed at establishing the corporate governance structure for the Quaestio Group.

## Dividends/distributions from the Alternative Asset Management activities

During 2019, the Alternative Asset Management business distributed dividends to the holding companies totalling EUR 22.9 million (EUR 7.5 million in 2018), broken down as follows: EUR 17.8 million to DeA Capital Real Estate (including the portion distributed out of the PFIs), EUR 5.0 million to DeA Capital Alternative Funds and EUR 0.1 million to YARD (pro-rata share of EUR 0.3 million).

## ALTERNATIVE INVESTMENT

### Funds managed by the Alternative Asset Management Platform – Capital calls / Distributions

In 2019, the DeA Capital Group increased its investments with paid calls totalling EUR 11.8 million related to the IDeA I FoF, ICF II, ICF III, IDeA EESS, IDeA ToI, IDeA CCR I, IDeA CCR II, IDeA Agro and Santa Palomba funds.

At the same time, during 2019, the DeA Capital Group received reimbursements (excluding withholding tax of EUR 2.4 million) totalling EUR 14.4 million (from the IDeA I FoF, ICF II, IDeA OF I, IDeA EESS, IDeA ToI and Venere funds).

Thus, during 2019, the funds in which DeA Capital S.p.A. invested resulted in a net positive cash balance of EUR 2.6 million for the portion relating to the Group.

### Investments in support of the Alternative Asset Management Platform initiatives

As part of the strategy to support initiatives relating to the Alternative Asset Management Platform, on 17 September 2019 DeA Capital S.p.A. and the fund IDeA Taste of Italy acquired a controlling interest in the **Alice Pizza Group**, Italy's leading pizza-by-the-slice chain. The co-investment by DeA Capital S.p.A. entailed an outlay of EUR 5 million, for a fully diluted interest in Alice Pizza of approximately 10% (to which is added the interest held through the stake held in the Taste of Italy fund (i.e., 5.9% fully diluted).

In addition, between September and December 2019, investments were concluded in two vehicles under French law, **Paris R<sup>2</sup>** and **Bobigny Irrigo**, for 6% and 5% interests, respectively, with a total investment of up to EUR 1.8 million, in the context of two real estate initiatives promoted in the Paris area by the subsidiary DeA Capital Real Estate France (with the vehicles under French law controlled by international institutional investors).

## Disposal of Migros units

On 22 November 2019, Kenan Investments and the wholly-owned subsidiary Moonlight Capital S.A. completed, through accelerated book building, the partial disposal of an approximately 11% holding of Migros, for a share of proceeds pertaining to DeA Capital S.p.A. of EUR 11.2 million.

Subsequent to the transaction, fully-diluted holding of DeA Capital S.p.A. in Migros was approximately 2%, for a valuation in the consolidated financial statements at 31 December 2019 of EUR 15.7 million (based on a value per Migros share of TRY 24.2 and an FRX of 6.68 TRY/EUR).

## Launch of the IDEaMI liquidation process

It should be noted that, after reaching the end of the company's duration on 11 December 2019 and not having concluded a business combination with a "Target" company by that date, IDEaMI initiated the liquidation process, while also halting trading of the related ordinary shares and warrants issued on the Alternative Investment Market (AIM) - Italy.

This process is expected to be completed in the 3rd quarter of 2020, with an estimated collection for DeA Capital S.p.A. of EUR 22.4 million, corresponding to the value attributed to the share at 31 December 2019.

## OTHER IMPORTANT FACTS

### Long-term incentive schemes

On 21 January 2019, 317,229 treasury shares (equal to approximately 0.1% of the share capital) were granted following the exercise of the residual options under the 2014-2016 DeA Capital Stock Option Plan, with the collection of EUR 0.3 million.

On 18 April 2019, 730,656 treasury shares (approx. 0.2% of the share capital) were granted under the 2015-2017 and 2016-2018 Performance Share Plans of DeA Capital S.p.A.

On the same date, 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 Chief Executive Officer of the Company, under which a maximum of 1,750,000 units may be granted for free in the event of the achievement of certain performance parameters. 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.

### Share buy-back plan

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 as of 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.

### Distribution of the share premium reserve

On 22 May 2019, in accordance with the vote of the Shareholders' Meeting on 18 April 2019, DeA Capital S.p.A. made a partial distribution of the share premium reserve at EUR 0.12 per share, i.e. for an overall amount of around EUR 31.2 million based on the total number of entitled shares.

### Cancellation of 40,000,000 treasury shares

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 transaction led to the reduction of the share capital from EUR 306,612,100 to EUR 266,612,100 and to the consequent amendment of Article 5 of the Articles of Association.

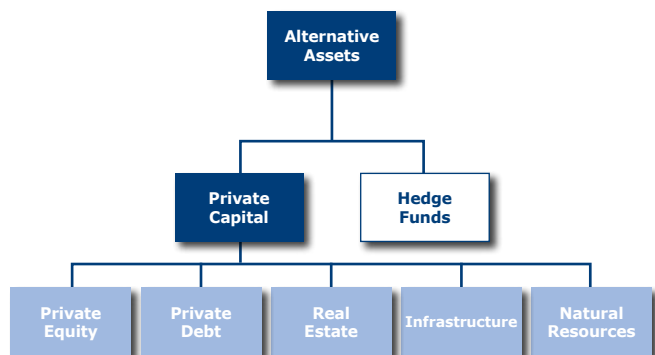
## 5. Results of the DeA Capital Group

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

- Alternative Asset Management, which includes asset management activities and related services, focused on the management of real estate, private equity and credit funds.
- Alternative Investments, which include:
  - investments in support of the Alternative Management Platform - "Platform Investments"- diversified in investments in Funds and Holdings;
  - other investments in Funds and Holdings ("Other Investments").

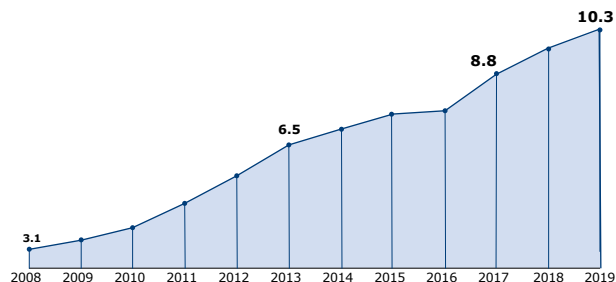
### The evolution of the Alternative Asset Management reference market

In the last ten years, investors' need to obtain diversified returns that would be potentially higher (compared with the use in liquidity) and more sustainable in the long term has been the basis of the growth of the asset management industry. Internally, Alternative Asset Management has taken on an increasingly central role, offering investors new opportunities for diversification and return through its main assets classes: **private equity, private debt, real estate, infrastructure, natural resources, and hedge funds.**



Globally, in 2019, the Alternative Assets Under Management ("AAUM") amounted to US\$ 10.3 trl, with a growth of about 58% in the period 2013-2019. Extending the time horizon, the increase in the AAUM is equal to approximately 332% compared with 2008, with a compound annual growth rate of approximately 11.5%.

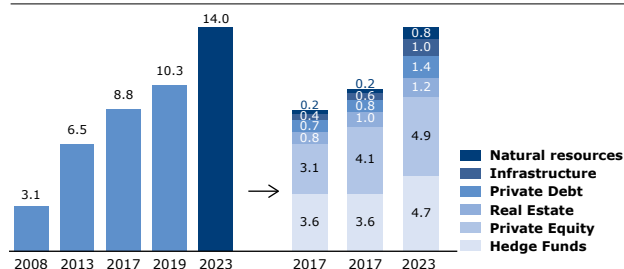
**Alternative assets under management globally (US\$ bln)**



Source: Preqin

The trend is confirmed by the estimates for the next 4 years which foresee alternatives reaching US\$ 14.0 trl of assets under management in 2023. The main development sector is Private Capital, which includes all alternative asset classes with the exception of hedge funds. At the end of 2019, Private Capital amounted to US\$ 6.7 trl (compared with US\$ 10.3 trl of the total), with an estimate for 2023 equal to about US\$ 9.3 trl. In terms of percentage growth, Private Capital is estimated to increase by 36% in 2023, of which +20% for private equity (from US\$ 4.1 trl to US\$ 4.9 trl) and +20% for real estate (from US\$ 1 trl to US\$ 1.2 trl). Again, with respect to 2019, these estimates also provide for a record increase for the remaining asset classes such as natural resources (from US\$ 0.2 trl to US\$ 0.8 trl), infrastructure (from US\$ 0.4 trl to US\$ 1.0 trl) and private debt (from US\$ 0.7 trl to US\$ 1.4 trl).

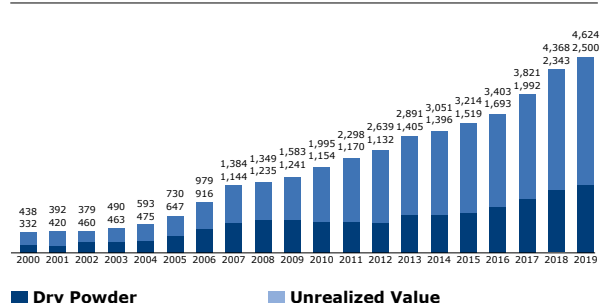
**Estimate of the global development of the Alternative AUM to 2023 (US\$ bln)**



Source: Preqin

Parallel is the growth of dry powder (capital available to fund managers), which, for Private Capital in 2019, is equal to the record figure of US\$ 2.5 trl, of which over 65% refers to private equity.

**Global Dry powder Private capital (US\$ bln)**



■ Dry Powder

■ Unrealized Value

Source: Preqin

**In this context characterized by strong dynamism and growth, DeA Capital S.p.A. it is the main independent operator in the Italian market in Alternative Asset Management both with the management of private equity funds, real estate and NPE, through its subsidiaries DeA Capital Alternative Funds SGR and DeA Capital Real Estate SGR, and by making investments in the funds of the asset management companies themselves.**

## The Private Equity market globally and in Italy

### Macroeconomic introduction

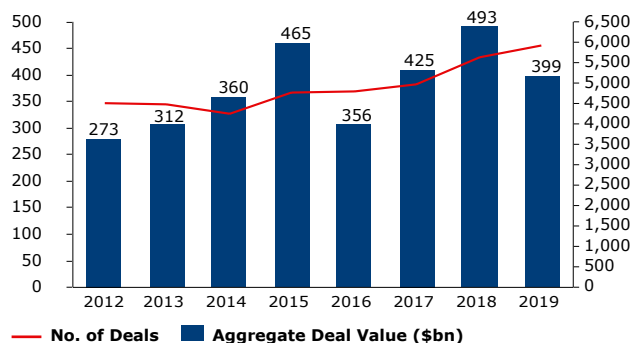
**The current situation of the major world economies is characterized by strong geopolitical uncertainties, estimates of moderate growth and in some cases of recession. Major global events such as the Coronavirus emergency, the collapse of oil prices, trade negotiations between the US and China, the monetary policies of the main global central banks, the consequences of the final decision on Brexit and finally the US presidential election in November are having strong negative impacts on market trends. It is premature to predict for the next few years what the effects listed above will be on Private Capital in terms of volumes of activity and fund-raising. International investors say they are witnessing an increase in warning signs that require continuous monitoring and control.**

During 2019, the collection of Private Equity funds globally recorded the first negative trend since 2010; the negative final effect was mainly driven by the reduction in funds raised in the Asian market, despite the moderate increase in funds raised in the North American market.

Globally, there is also a market consolidation due to the orientation of investors towards the more established managers, who raise funds of increasingly larger dimensions, and offer investors an ever wider set of solutions that are often tailored to the specific needs of individual large investors. The possible reversal of the cycle in terms of reduced growth of fundamentals and valuations pushes investors to seek larger managers with proven track records able to invest in more stable companies and implement growth policies and operational improvements.

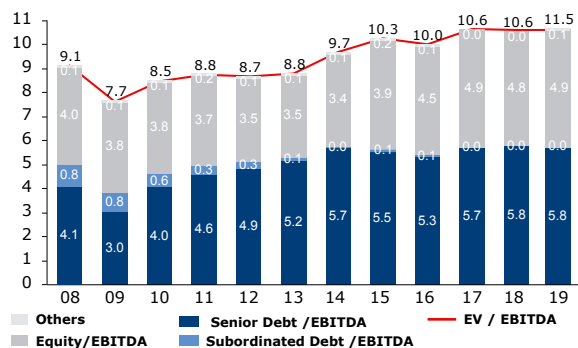
The statistics on the transactions concluded in 2019 clarify the dynamics just described and the effects of increasing competition in the market. In 2019, there was a decrease in the aggregate value of investments, going from US\$ 493 billion to US\$ 399 billion and recording a decrease of almost 20%. This decrease is unexpected when compared with the positive historical trend recorded for two consecutive years, i.e. from 2016 to 2018, and is fuelled by the decrease in the total number of deals concluded during the year. However, it is important to observe how this happens in a context of increasing average multiples for American buyout operations to a level of 11.5x, an increase of about 8% compared with the previous year. In analysing the financial structure of the transactions, there is an increase in the use of the percentage level of equity, in line with the positive trend recorded in previous years.

#### Value of the Private Equity investments globally (US\$ bln)



Source: Preqin – January 2020

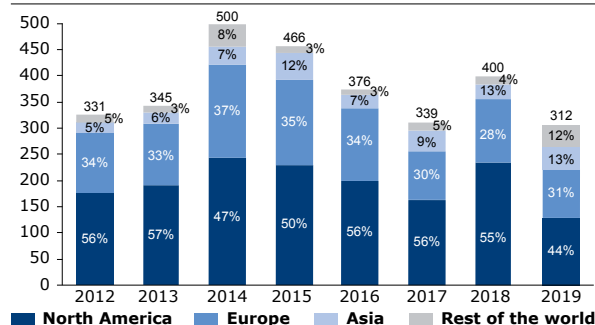
#### Prices and financial structure in the buyout transactions in the United States (US\$ bln)



Source: S&P LCD US Leveraged Buyout Review 4Q 2019

By carrying out a detailed analysis of the statistics on investment activities, we can see that the decrease in the number and volumes of transactions concluded is significant and in contrast with the previous years. 2019 closed with more than 5,000 transactions concluded for an aggregate value of US\$ 399 billion, compared with approximately 6,500 transactions concluded in 2018 for an aggregate value of US\$ 493 billion. This negative trend is the result of multiple factors, largely attributable to the greater difficulty of GPs in finding interesting investment opportunities due in part to the increase in market valuations. In addition, the greater difficulty in concluding potentially profitable transactions has led to an increase in dry powder, reaching a record level and exceeding US\$ 1,700 billion for Private Equity funds on a global scale.

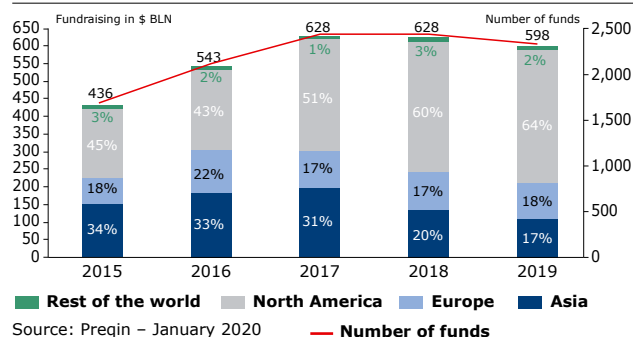
#### Diversiments value for buyout funds by region (US\$ bln, 2012-2019)



Source: Preqin – January 2020

Moderate economic growth, geopolitical uncertainties and high valuations also have an effect on divestment activities, which slowed down in 2019, after a positive jump in 2018. The year ended with an aggregate exit value of US\$ 312 billion, compared with US\$ 400 billion in 2018 and US\$ 339 billion in 2017.

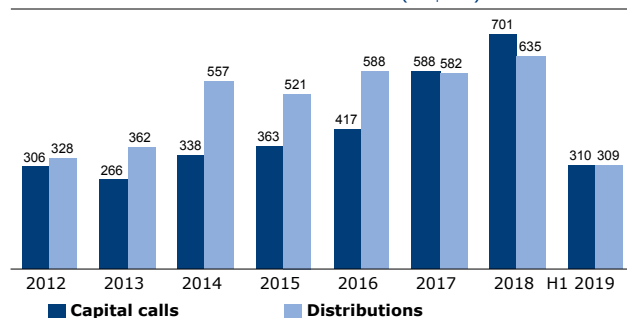
## Global private equity fundraising by region (2015- 2019) (US\$ bln)



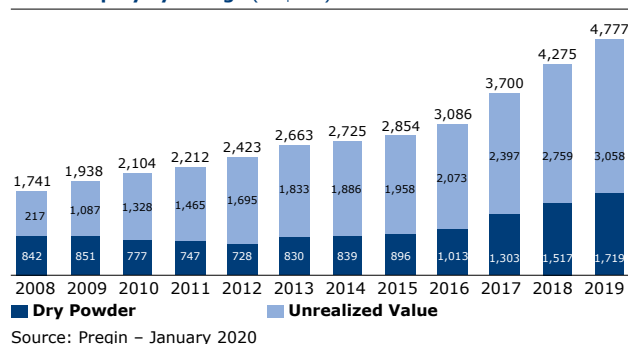
As anticipated, funding has slowed slightly on a global scale, favouring larger funds that have been raised by the most successful managers. Inflows declined in major economic areas to US\$ 598 billion from US\$ 628 billion in 2018. The only exception is the North American area, in contrast to the others, which recorded a slight increase to US\$ 381 billion from US\$ 375 billion in 2018. The North American market remained the most dominant globally, with around 64% of aggregate funding. The gap between the American and European markets therefore widened, stopping at a value of approximately US\$ 105 billion, equal to 18% of aggregate funding. The Asian market, on the other hand, has undergone the strongest slowdown, stopping 2019 deposits at US\$ 103 billion and losing about US\$ 24 billion (about 19%) compared with the previous year.

It is interesting that despite the global slowdown in funding at the beginning of 2020, there is a total number of over 3,500 funds on the market. This figure represents a 2% increase over the previous year, driven by the increase in buyout funds, and is a new historical high. In addition, in line with the trend of the previous years, 2019 recorded a high success rate of collection campaigns compared with the target size, with about 80% of the funds reaching the target size compared with 57% in 2012.

## Global calls and distributions of EP funds (US\$ bln)



## Private Equity by vintage (US\$ bln)



2019 is the third consecutive year in which funds registered a negative balance between distributions and capital calls. The deficit has decelerated sharply compared with 2018 results, a particularly comforting figure given the record collection of the past few years, which makes more likely the prospect of being able to return to positive balances as recorded consistently before 2017.

As regards the portfolios of Private Equity funds, the value not yet achieved at the aggregate level remains significant even for the funds of older vintage (e.g. 2008-2012), as highlighted by a relatively large number of companies in the portfolio potentially ready to be disposed of.

Moving on to the performance of the secondary market, 2019 recorded the third consecutive increase in the aggregate volumes of the transactions concluded, reaching an amount of US\$ 88 billion and recording a 19% increase compared with the previous year. The volume reached a new all-time high and the management of operations by the GPs is confirmed as a significant driver on the market, weighing around 30% of the total with a total volume of US\$ 26 billion. In 2019, the importance of large transactions characterized by a volume greater than US\$ 1 billion is confirmed. During the year 23 transactions constituted almost 43% of the aggregate value. The most significant transactions led by LPs and GPs amounted to US\$ 5 billion and US\$ 2 billion respectively, demonstrating that even in the secondary market we are moving towards large transactions, as demonstrated by the record quantity of dry powder equal to US\$ 155 billion. It is interesting to note how, despite secondary volumes recording positive records for three consecutive years, the very positive year for public financial markets pushed investors to take a conservative and prudential approach. In fact, investors focused on investments deemed to be less risky, fuelling the dynamics of flight-to-quality, indirectly favouring the recent capital consolidation process on a smaller number of managers.

Finally, prices recorded a slight reduction compared with 2018, settling on an average discount of 12% for all strategies, against 8% the previous year. Expectations for 2020 tend to be positive, with increasing transaction volumes and stable prices. An increase in GPs-managed transactions and an increase in transactions worth more than US\$ 1 billion is also expected.



ESG issues are becoming increasingly important and fuelling various reflections in the sector. Most investors believe that the issue of sustainability will become a fundamental driver in investment management and consequently they are adopting principles and practices oriented towards sustainability.

## Private Equity in Italy

As regards Italy, the statistics for 2019 prepared by the AIFI (Associazione Italiana del Private Equity e Venture Capital) show that, in 2019, the amount invested by private equity and venture capital operators was €7.2 billion. Compared with the previous year, which had recorded, thanks to numerous significant transactions, the highest volumes ever found in the Italian market (€9.8 billion), a decrease of 26% was observed in the amount invested, which, however, remains the third highest value observed in our market. Excluding infrastructures from the analyses, major players last year with particularly significant investments, the figure for 2019 (€6.7 billion) is in line with the previous year. In addition, if we also consider, alongside the institutional operators surveyed, other parties of a different nature that have invested alongside the traditional parties, such as, for example, club deal, family office, SPAC, asset manager and other investment vehicles, during 2019, a total of almost €10 billion was invested in equity, distributed over approximately 450 companies.

The number of transactions grew by 3% to 370, compared with 359 the previous year. It should be noted that the expansion segment was the second largest in 2019, exceeding the infrastructure segment, which, during the year under consideration, decreased by 83% in terms of amount (€0.5 billion).

In 2019, the amount divested at the purchase cost of the investments amounted to €2.2 billion, down 21% from the €2.8 billion the previous year. The number of exits was 132, in line with 2018 (135). The channel most used for divestments, if we look at the volumes, is sales to another private equity operator (41% of the total divested).

In 2019, funding on the private equity and venture capital market amounted to €1.6 billion, down (-54%) from the €3.4 billion the previous year, a value strongly influenced by some closings of significant importance. With reference to the geographical origin of the funds, the domestic component accounted for 73%, whilst the weighting of the foreign component was 27%. At the level of sources, 24% of the deposits came from pension funds and social security funds, followed by the public sector, including institutional funds (22%) and individual investors and family offices (21%).

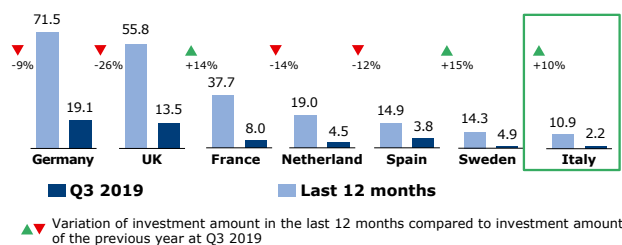
## The Real Estate market in Europe and in Italy

### Real Estate in Europe

In the third quarter of 2019, direct institutional investments in non-residential property in Europe amounted to 69.5 billion Euro, out of a total of 290.8 billion Euro in the last twelve months, resulting in a decrease of 9% compared with the twelve previous months.

Between the fourth quarter of 2018 and the third quarter of 2019, Germany and the United Kingdom, with an investment volume of €71.5 billion and €55.8 billion respectively, remain the main European markets, despite there being reduction of 9% and 26% respectively. France follows with an investment volume of €37.7 billion and Holland which has reached approximately €19 billion. The volumes transacted in Spain decreased by 14% to €14.9 billion while Sweden recorded a 15% increase reaching €14.3 billion. Italy, with an investment volume of €10.9 billion, showed an increase of 10% compared with the 12 months prior to the reference period.

**Trend of non-residential sales in some of the main European countries (Euro bln)**



Source: CBRE

As regards the type of investments at European level, in the third quarter of 2019, approximately €28.4 billion was invested in the office sector, equal to approximately 41% of the total transaction.

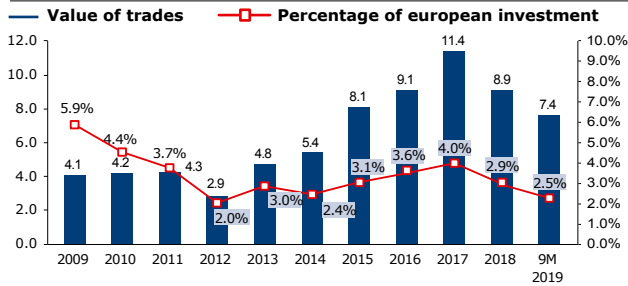
In the same period, the retail sector recorded €9.2 billion of transactions, or about 13% of the total transactions, while the residential sector recorded €15.8 billion of transactions, equal to approximately 23% of the total transacted. In the industrial-logistic sector, €7.3 billion were invested representing approximately 11% of the total transactions, while the tourist-hospitality sector, with approximately €4.7 billion transacted, represented 7% of the total invested.<sup>1</sup>

### Real Estate in Italy

In the first nine months of 2019, around €7.4 billion were invested in the Italian real estate market, 40% more than in the same period of 2018.

<sup>1</sup> Source: CBRE - European Investment Market Snapshot, Q3 2019

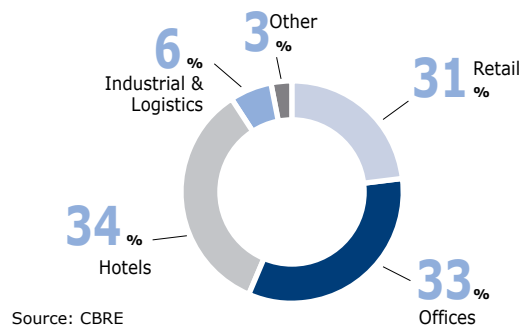
### Trend of non-residential sales in Italy and of the incidence on the European total (Euro bln, %)



Source: DeA Capital report on CBRE data

With reference to the type of properties transacted, in the first nine months of 2019, the tourist-hospitality sector represented the leading asset class in terms of volumes with approximately €2.6 billion of investments, with a value three times higher than in the same period of 2018. This was followed by the office sector whose investments in the third quarter reached €2.5 billion and the retail sector which reached €1.7 billion, down 6.2% compared with the same period last year. Investments in the logistics sector, equal to approximately €470 million, recorded a 19% reduction compared with the first nine months of 2018.

### Breakdown of non-residential sales by intended use in the first 9 months of 2019 (%)



Source: CBRE

The market was positively influenced by large-scale operations, especially in the tourist-hospitality and business sectors, thanks to the optimal situation of the geopolitical landscape and the level of interest rates.

As for the retail real estate market as a whole, the latest data provided by the Agenzia del Territorio Observatory on the Real Estate Market (OMI) indicates that in the third quarter of 2019 the Italian real estate market, with a number of normalized transactions equal to 177,471, showed signs of strengthening, registering generalized growth in all sectors.

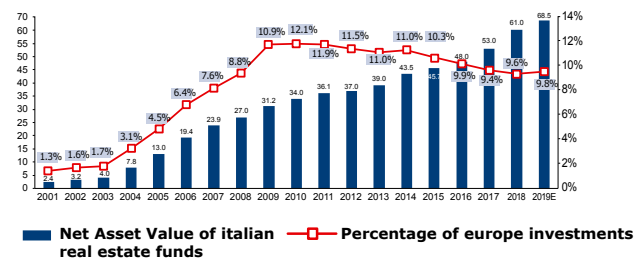
In particular, the total number of sales recorded in the third quarter of 2019 in the residential sector was approximately 137,099, an increase of 5% compared with the third quarter of 2018.

As regards the non-residential sector, the total number of sales registered in the third quarter of 2019 was 40,372 (an increase of 5.8% compared with the third quarter of 2018). In particular, the tertiary-commercial sector recorded a positive performance of 7.4% with 22,953 sales. Office sales have increased by 8.2% while those relating to shops and laboratories have increased by 5.6%. The production sector showed a decline in trade of 0.9% compared with the third quarter of 2018 with a volume of sales equal to 2,681 units while the agricultural production sector decreased by 3.1% with a value of sales equal to 520 unit. Lastly, real estate units relating to the non-residential market, not included in the previous categories, amounted to 14,218, an increase of 4.8% compared with the same quarter of last year.

## Real Estate funds in Italy

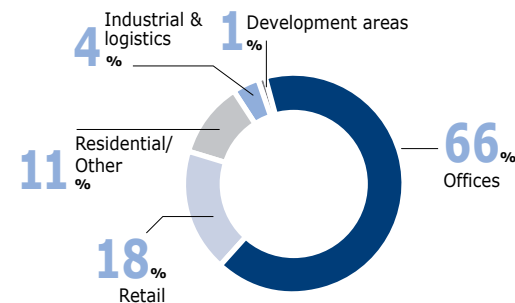
The Italian real estate market is recovering and the real estate funds sector continues to grow sustainably. According to assumptions made by Real Estate Scenarios on the basis of the estimates of closing financial statements, the Net Asset Value (NAV), in 2019, should reach €68.5 billion, with an increase of about 12.3% on the previous year. Retail funds continue to divest their properties as well as the gradual reduction in the debt of retail and reserved funds. At the end of June, the average *Loan to Value* of reserved and retail funds was respectively 26% and 16%.<sup>2</sup>

### Trend of the Net Asset Value of Italian real estate funds and of the incidence on the European total (Euro bln, %)



Source: Real Estate Scenarios

### Asset Allocation of Real Estate Funds in Italy (retail and reserved), % values at 30 June 2019



Source: Real Estate Scenarios

<sup>2</sup> Loan to Value is calculated as the ratio between debt and real estate assets.

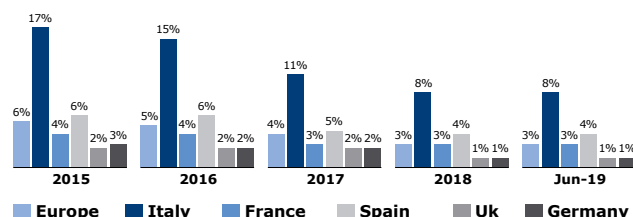


## The NPE/NPL market in Europe and in Italy

Globally, the European Union has the highest levels of Non-performing loans Ratio (NPL Ratio) compared with other areas. The ratio grew from 5% in 2009 to a maximum of 7% in 2012, only to begin a decreasing trend that continues to this day.

In all the other geographic areas analysed, i.e. for East Asia, the Pacific and North, Central and South America, the NPL Ratio remained below 2% in all years from 2011 onwards. Italy has undergone one of the most significant reductions among European countries, going from 17% in 2015 to 8% in June 2019, while continuing to have a ratio about three times higher than the European average.

**NPL Ratio** (Non-performing loans/ Total loans)

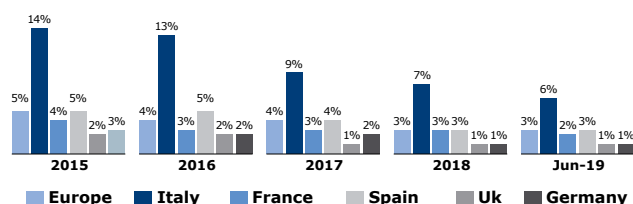


Source: PWC

In the same period, the performance of the Non Performing Exposure (NPE Ratio) is very similar to that of the NPL Ratio. (The NPE Ratio corresponds to the ratio between non-performing exposures and the total of the loans disbursed; where impaired means the sum of three categories of loans which are distinguished on the basis of the different probabilities of recovering the loan: bad debts (NPLs), probable defaults (Gross Unlikely to pay, UtP) and past due (Past Due)).

In June 2019, the NPE Ratio in Italy was 6% compared with a European average of 3%.

**NPE Ratio**

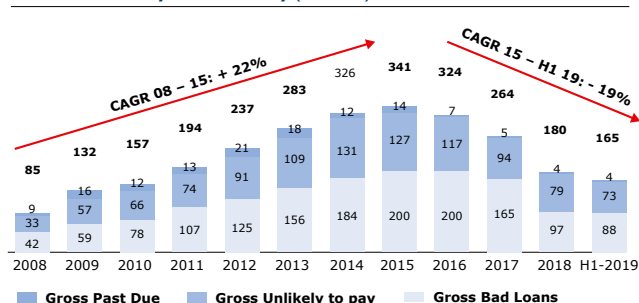


Source: PWC

The amount of NPE held by banks in Italy, after reaching the peak of €341 billion in 2015 (with a CAGR of 22% since 2008) has steadily decreased in recent years reaching €165 billion in mid-2019 (CAGR -19% from 2015). With particular

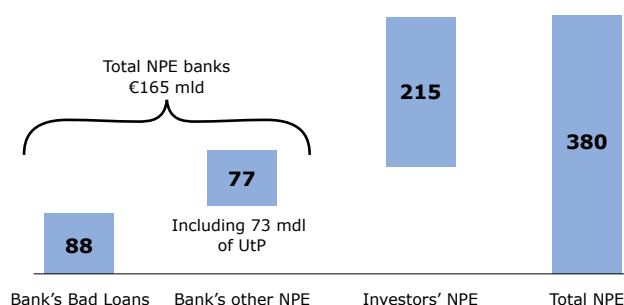
reference to UtPs, in mid-2019, these receivables amounted to €73 billion. In the first six months of 2019, Gross UtP loans and Gross Bad loans decreased (by €6 billion and €9 billion respectively), while Gross Past Due loans remained constant (€4 billion).

**Gross NPE held by banks in Italy** (Euro bln)



In June 2019, approximately 56% of the total gross NPE in Italy is held by investors, for an amount equal to €215 billion; only €165 billion are still recorded in the banks' assets.

**Gross NPE in Italy** (Euro bln)  
**Breakdown of Banks and Investors**



The increase in portfolio volumes sold by the banking sector to investors and strategic outsourcing platforms push the sector to continuous evolution and the leaders to gain market share. In 2019, more than 50 NPE transactions were carried out with volumes exceeding €100 million and the value of the total transactions reached approximately €50 billion. The two largest operations were the sale of €7.4 billion of NPLs by Banco Bpm and the sale of €6.1 billion of NPLs by UniCredit.

For 2020, there are a large number of sales projects at an advanced stage and it is estimated that the main banks are planning to sell large-sized UtP portfolios, reaching a total transaction value of €7 billion in 2020.

In Italy, it is still premature to estimate the impact of Coronavirus on the NPE market, although it is possible to speculate that, in 2020, Italy will fall into recession with a possible increase in NPE by the banking sector.

## Alternative Asset Management

At 31 December 2019, the DeA Capital Group owned:

- 100% of **DeA Capital Real Estate SGR**
- 100% of **DeA Capital Alternative Funds SGR**
- 70.0% of **DeA Capital Real Estate France**
- 73.0% of **DeA Capital Real Estate Iberia**
- 50.0% of **DeA Capital Real Estate France**
- 43.6% of **YARD**
- 38.8% of **Quaestio SGR** (through Quaestio Holding, the 100% holding company)

## DeA Capital Real Estate SGR

### REGISTERED OFFICE:

Italy

### SECTOR:

Alternative

Asset Management – Real Estate

### WEBSITE:

[www.deacapitalre.com](http://www.deacapitalre.com)

*Assets Under  
Management:*

**9.9 billion  
Euro**

### DEA CAPITAL REAL ESTATE SGR



## DEA CAPITAL REAL ESTATE SGR

### INVESTMENT DETAILS:

DeA Capital Real Estate SGR is the largest independent real estate asset management company in Italy, with around EUR 9.9 billion in assets under management and 51 managed funds (including 2 listed funds). This makes it a benchmark operator for Italian and international institutional investors in the promotion, creation and management of mutual real estate investment funds.

The company has concentrated investments in transactions with low risk, stable returns, low volatility and, most importantly, an emphasis on property value. In particular, the asset management company specialises in “core” and “core plus” properties, although its major investments also include “value added” transactions.



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

The table below summarises the value of *Assets Under Management* and *Fee-Paying AUM* and Management Fees for DeA Capital Real Estate SGR at 31 December 2019:

	at 31 December 2019		
(Eur million)	Assets Under Management (*)	Fee-Paying AUM (**)	Management fees
Listed Real Estate funds	436	585	5.0
Real Estate funds	9,452	8,046	35.4
<b>Total DeA Capital Real Estate SGR</b>	<b>9,888</b>	<b>8,631</b>	<b>40.4</b>

(\*) The figures refer to Asset Under Management calculated as the sum of funds managed assets.

(\*\*) The amount for management fees calculation.

## DEA CAPITAL REAL ESTATE SGR

As regards operating performance, as at 31 December 2019 Assets Under Management stood at around EUR 9,900 million, with new

assets under management of over EUR 400 million, thanks to the launch of 6 new funds in 2019.

DeA Capital Real Estate SGR (EUR million)	31 December 2019	31 December 2018
AUM	9,888	9,451
Management fees	40.4	39.8
Net Operating Profit (#)	9.7	9.2
Net profit	9.4	2.6
-of which:		
- Shareholders	9.4	3.7
- Owners of financial equity instruments	0.0	(1.1)
Net Financial Position	20.5 (*)	12.4 (*)

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

(°) Net of leasing liability (-7.6 EUR million).

(\*) Data at 31 December 2018 "adjusted". Reflects the application of IFRS 16 from 1.1.19 (-9.2 € million).

## DEA CAPITAL ALTERNATIVE FUNDS SGR



### REGISTERED OFFICE:

Italy

### SECTOR:

**Alternative Asset  
Management –  
Private Equity / Credit**

### WEBSITE:

[www.deacapitalaf.com](http://www.deacapitalaf.com)

### INVESTMENT DETAILS:

The company manages alternative investment funds (funds of funds, private equity theme funds, as well as credit funds). As at 31 December 2019, the asset management company managed 14 closed-end funds, of which there are 5 funds of funds (IDeA I FoF, ICF II, ICF III, IDeA Crescita Globale and DeA Endowment Fund), 3 theme funds (IDeA EESS, IDeA ToI, IDeA Agro), the "direct" co-investment fund (IDeA OF I), 4 NPE funds (IDeA CCR I and II, with a focus

on debtor-in-possession financing funds, and the NPL funds Atlante and Italian Recovery Fund - "IRF") and the Investitori Associati IV fund (in liquidation). The asset management company also has management delegations for a portion of the closed-end, non-reserved AIF called "Azimut Private Debt" instituted by Azimut Capital Management SGR.

The table below summarises the value of Assets Under Management and Fee-Paying AUM and Management Fees for DeA Capital Alternative Funds SGR at 31 December 2019:

	at 31 December 2019		
(Eur million)	Assets Under Management (*)	Fee-Paying AUM (**)	Management fees
Funds of funds	1,183	650	4.4
Direct funds	602	346	9.0
Non Performing Exposures ("NPE")	3,157	3,157	11.1
<b>Total DeA Capital Alternative Funds SGR</b>	<b>4,942</b>	<b>4,153</b>	<b>24.5</b>

(\*) The figures refer to Asset Under Management calculated as the sum of total commitments.

(\*\*) The amount for management fees calculation.

*Assets Under  
Management:*

**4.9 billion  
Euro**

As regards operating performance, during 2019, the company recorded an increase of Assets Under Management of more than EUR 2,500 million compared to 2018, primarily due to the purchase of the business unit consisting of the assets of NPL Management Quaestio SGR, including management of the Atlante and IRF funds, with Assets Under Management of over EUR 2,300 million.

The above Asset Under Management trend contributed to an increase in management fees of approximately EUR 1 million compared to 2018; the decrease in Net Profit is attributable to one-off costs related to the acquisition of NPL Management assets and the development of new products. The table below summarises the value of Assets Under Management and Fee-Paying AUM and Management Fees for DeA Capital Alternative Funds SGR at 31 December 2019:

<b>DeA Capital Alternative Funds SGR</b> (EUR million)	<b>31 December 2019</b>	<b>31 December 2018</b>
AUM	4,942	2,430
Management fees	24.5	23.5
Net Operating Profit (#)	4.9	6.1
Net Profit	4.9	6.1
Net Financial Position	16.1 (*)	10.9 (*)

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

(°) Net of leasing liability (-2.5 EUR million).

(\*) Data at 31 December 2018 "adjusted". Reflects the application of IFRS 16 from 1.1.19 (-2.9 € million).

## QUAESTIO CAPITAL MANAGEMENT SGR



### REGISTERED OFFICE:

Italy

### SECTOR:

**Asset Management –  
Investment Solutions**

### WEBSITE:

**www.quaestiocapital.com**

### INVESTMENT DETAILS:

*Quaestio SGR* is active in Asset Management with the management of funds, mainly reserved, through a multi-asset/multi-manager platform that allows structuring customized investment solutions for institutional investors (mainly banking foundations and social security institutions); specifically, the platform – operating mainly through management mandates (pool) – allows investors' assets to be allocated on the basis of specific risk/return objectives, with full visibility (look-through) and risk management of the individual components of the portfolio, as well as with significant administrative, accounting and tax simplification.

The holding in Quaestio Holding / Quaestio SGR, consolidated at shareholders' equity starting from the month of November 2019, has a value in the consolidated financial statements at 31 December 2019 of EUR 14.3 million given the net investment of EUR 14.5 million and the pro-rata result for the period (-EUR 0.2 million, affected by certain one-off items, linked to extraordinary transactions during 2019).

Quaestio SGR reported Assets Under Management at 31 December 2019 of EUR 7,591 million, with management fees relating to Asset Management activities of EUR 29.8 million for all of 2019.

*Assets Under  
Management:*

**7.6 billion  
Euro**

## Alternative Investment

### Platform Investments - funds

At 31 December 2019, the investments in the funds managed by the Alternative Asset Management Platform show a total value in the Consolidated Financial Statements of EUR 111.2 million (corresponding to the fair value estimate calculated based on the information available on the date this document was prepared), which mainly refer to:

- the IDeA OF I fund, fully consolidated in accordance with IFRS 10;
- the Venere real estate fund and the IDeA EESS fund, classified under "Holdings in associates", based on the units held;
- 3 funds of funds (IDeA I FoF, ICF II and ICF III), 2 theme funds (IDeA ToI, IDeA Agro), 2 NPE funds (IDeA CCR I and IDeA CCR II).

The change in the value of the funds in the portfolio recorded in 2019 (EUR 111.2 million at 31 December 2019 compared to EUR 116.0 million at 31 December 2018) is due to capital calls for EUR +11.8 million, distributions of EUR -16.8 million (including withholding tax of EUR 2.4 million) and the increase in fair value of EUR +0.2 million.

Residual commitments for all the funds in the portfolio were EUR 61.9 million.

Note that valuations of funds in the portfolio reflect estimates made using the information available on the date this that document was prepared.

The table below shows the main performance indicators with reference to the funds in the portfolio.

(Eur million)	Vintage	Capital Call	DPI (*)	TVPI (°)	NAV
<i>Funds of Funds</i>					
IDeA I FoF	2007	150.4	1.1x	1.3x	25.1
ICF II	2009	37.9	1.1x	1.9x	29.8
ICF III	2014	9.6	0.0x	1.3x	12.4
<b>Funds of Funds - Total</b>		<b>197.9</b>	<b>1.1x</b>	<b>1.4x</b>	<b>67.3</b>
<i>Direct Funds</i>					
IDeA OF I	2008	87.9	1.0x	1.2x	13.8
IDeA EESS	2011	24.7	1.0x	1.3x	6.9
IDeA ToI	2014	22.7	0.7x	1.4x	16.5
<b>Direct Funds - Total</b>		<b>135.3</b>	<b>1.0x</b>	<b>1.2x</b>	<b>37.2</b>
<b>Other Funds</b>					<b>6.7</b>
<b>Total Platform Investments - Funds</b>					<b>111.2</b>

(\*) "Distributed to paid-in", or the ratio between the distribution received and the capital calls paid.

(°) "Total value to paid-in", or the ratio between sum of "cash distributions + NAV" and capital calls paid.

## IDEA I FUND OF FUNDS



**DEA CAPITAL**  
ALTERNATIVE FUNDS SGR

### REGISTERED OFFICE:

**Italy**

### SECTOR:

**Private Equity**

### WEBSITE:

**www.deacapitalaf.com**

### INVESTMENT DETAILS:

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

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

### BRIEF DESCRIPTION:

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

According to the latest report available, the IDeA I FoF portfolio was invested in 34 funds with different investment strategies; these funds in turn hold positions, with varying maturities, in 181 companies active in geographical regions with different growth rates.

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

At 31 December 2019, IDeA I FoF had called up 91.4% of its total commitment and had made reimbursements totalling approximately 104.4% of that commitment.

*Fund size:*

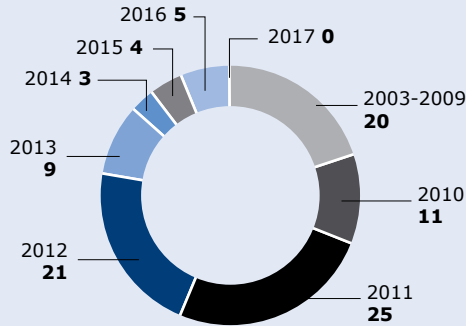
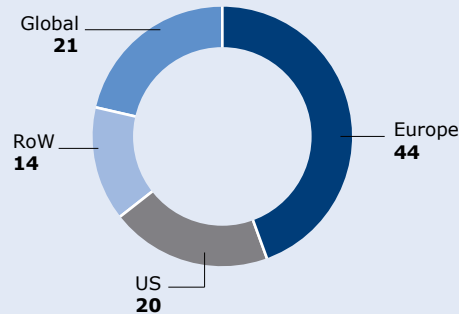
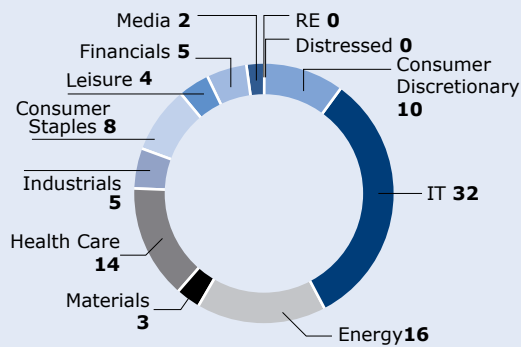
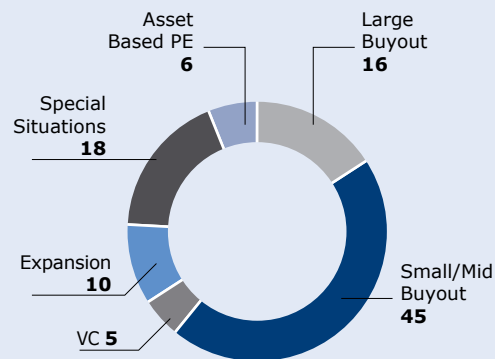
**646 million  
Euro**



**OTHER IMPORTANT INFORMATION:**

Below is an analysis of the portfolio, at the date of the latest report available, broken down by year of

investment, geographical area, sector and type of underlying fund.

**Breakdown by year of investment<sup>1</sup> (%)**

**Breakdown by geographic area<sup>2</sup> (%)**

**Breakdown by sector<sup>1</sup> (%)**

**Breakdown by strategy<sup>2</sup> (%)**

**Notes:**

1. % of the FMV of the investment.

2. % of fund size based on paid-in exposure (capital invested + residual commitments).

The units in IDeA I FoF were valued at approximately EUR 25.1 million in the Consolidated Financial Statements at 31 December 2019, with a change compared to 31 December 2018 (EUR 33.1 million) due to distributions of EUR

-5.6 million, capital calls of EUR +0.5 million and the decrease in fair value of EUR -2.9 million.

The table below shows the key figures for IDeA I FoF at 31 December 2019:

IDEA I FoF (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in the fund
IDEA I Fund of Funds	Italia	2007	646,044,030	164,582,100	25.48
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>		<b>Eur</b>	<b>14,196,182</b>		

## ICF II



### DEA CAPITAL ALTERNATIVE FUNDS SGR

#### REGISTERED OFFICE:

Italy

#### SECTOR:

Private equity

#### WEBSITE:

[www.deacapitalaf.com](http://www.deacapitalaf.com)

#### INVESTMENT DETAILS:

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

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

#### BRIEF DESCRIPTION:

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

The construction of the fund's portfolio is focused on funds in the area of mid-market buy-outs, distressed and special situations, loans, turnarounds and on funds with a specific sector slant, targeting, in particular, opportunities offered in the secondary market.

Based on the latest report available, the ICF II portfolio is invested in 25 funds with different investment strategies; these funds in turn hold positions, with varying maturities, in around 350 companies active in various geographical areas.

At 31 December 2019, ICF II had called up around 74.4% of its total commitment and had made distributions totalling 80.4% of that commitment.

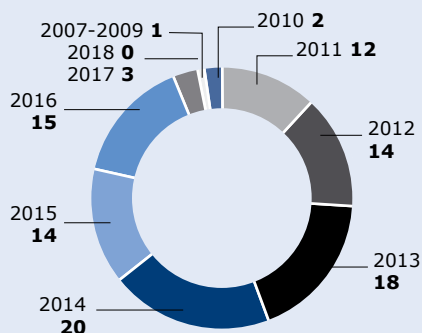
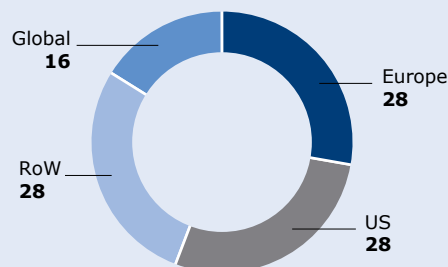
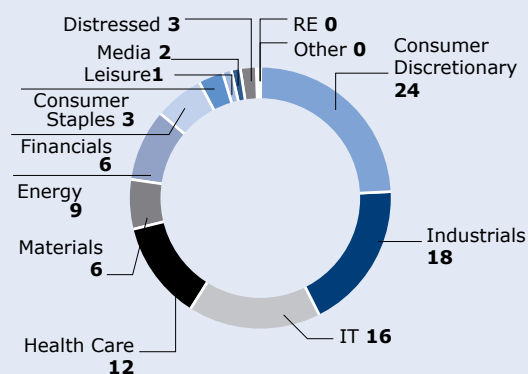
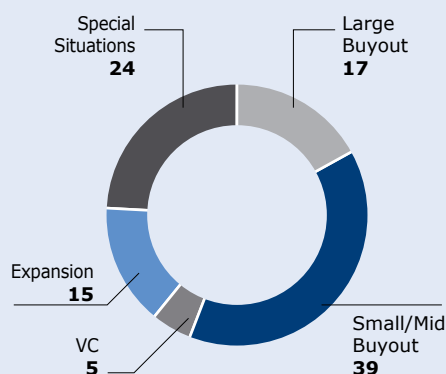
*Fund size:*

281 million  
Euro

**OTHER IMPORTANT INFORMATION:**

Below is an analysis of the portfolio, at the date of the latest report available, broken down by year of

investment, geographical area, sector and type of underlying fund.

**Breakdown by year of investments<sup>1</sup> (%)****Breakdown by geographic area<sup>2</sup> (%)****Breakdown by sector<sup>1</sup> (%)****Breakdown by strategy<sup>2</sup> (%)****Notes:**

1. % of the FMV of the investment;

2. % of fund size based on paid-in exposure (capital invested + residual commitments).

The units in ICF II were valued at approximately EUR 29.8 million in the Consolidated Financial Statements at 31 December 2019, with a change compared to 31 December 2018 (EUR 31.3 million) due to distributions of EUR -3.6 million,

capital calls of EUR +0.3 million and the increase in fair value of EUR +1.8 million.

The table below shows the key figures for ICF II at 31 December 2019:

ICF II (€)	Registered office	Year of commitment	Subscribed Fund Size	% DeA Capital in the fund
ICF II	Italia	2009	281,000,000	51,000,000
<b>Residual Commitments</b>				
<b>Total residual commitment in:</b>		<b>Eur</b>	<b>13,097,913</b>	

## ICF III


**DEA CAPITAL**  
 ALTERNATIVE FUNDS SGR
**REGISTERED OFFICE:**

Italy

**SECTOR:**

Private Equity

**WEBSITE:**

www.deacapitalaf.com

**INVESTMENT DETAILS:**

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

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

**BRIEF DESCRIPTION:**

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

The fund is divided into three parts:

- **Core**, with a focus on buy-outs, expansion capital and special situations;
- **Credit & Distressed**, which invests in special credit operations (*preferred equity, mezzanine, senior loans*), turnarounds and other credit strategies;

- **Emerging Markets**, which focuses on expansion capital, buy-outs, distressed assets and venture capital operations in emerging markets.

At 31 December 2019, ICF III had called up 69%, 65% and 83% in the Core, Credit & Distressed and Emerging Markets segments respectively.

The units in ICF III were valued at EUR 12.4 million in the Consolidated Financial Statements at 31 December 2019 (EUR 10.4 million at 31 December 2018). The increase was due to capital calls of EUR +1.1 million and an increase in fair value of EUR +0.9 million.

The table below shows the key figures for ICF III at 31 December 2019:

ICF III (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in the fund
ICF III	Italy	2014	66,950,000	12,500,000	18.67
of which:					
Core Segment			34,600,000	1,000,000	2.89
Credit & Distressed Segment			17,300,000	4,000,000	23.12
Emerging Markets Segment			15,050,000	7,500,000	49.83
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>		<b>Euro</b>		<b>2,938,553</b>	

Fund size:

 67 million  
 Euro



### INVESTMENT DETAILS:

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

DeA Capital S.p.A. has a total commitment of up to EUR 92.4 million in the fund.

### BRIEF DESCRIPTION:

IDEA OF I has invested, independently or via syndicates with a lead investor, by purchasing qualified minority interests.

In the second half of 2019, considering actual liquidity needs (diminished in the light of the progress of the process of disposing of the assets in portfolio), the commitment of the fund decreased

by approximately EUR 20 million, to a total of approximately EUR 197 million (compared to the original EUR 217 million). DeA Capital S.p.A.'s commitment therefore is reduced from EUR 101.8 million to EUR 92.4 million.

At 31 December 2019, IDEA OF I had called up 95.1% of the total commitment and distributed 96.2% of that commitment, after making nine investments (of which two were still in the portfolio at that date).

**REGISTERED OFFICE:**  
**Italy**

**SECTOR:**  
**Private Equity**

**WEBSITE:**  
**[www.deacapitalaf.com](http://www.deacapitalaf.com)**

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*Fund size:*

**197 million  
Euro**

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## IDEA OF I

### IDEA OPPORTUNITY FUND I

The units in IDeA OF I have a net value in the Consolidated Financial Statements at 31 December 2019 of EUR 13.8 million, with a change compared to 31 December 2018 (EUR 15.2 million) due to distributions of EUR -1.1

million and the pro-rata net profit of the fund of EUR -0.3 million.

The table below shows a breakdown of the fund's NAV at 31 December 2019:

(EUR million)	Industry	% share	Investment date	100%	DeA Capital
<b>Portfolio participations</b>					
Iacobucci HF Electronics	Aircraft furnishing and coffee machines	34.9%	September 11, 2012	3.0	1.4
Pegaso Transportation Investments (Talga)	Rail market	2.5%	October 8, 2012	19.6	9.2
<b>Total portfolio participations</b>				<b>22.6</b>	<b>10.6</b>
Other receivables				3.8	1.8
Cash and cash equivalents				3.0	1.4
<b>Total Net Equity</b>				<b>29.4</b>	<b>13.8</b>

The table below shows the key figures for IDeA OF I at 31 December 2019:

IDEA OF I Eur (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in the fund
IDEA Opportunity Fund I	Italy	2008	196,627,400	92,395,215	46.99
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>		<b>Eur</b>	<b>4,512,100</b>		



## INVESTMENT DETAILS:

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

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

## BRIEF DESCRIPTION:

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

The fund was dedicated to investing in small and medium-sized manufacturing and service companies operating in the field of energy saving and the efficient use of natural resources. It focuses on the development of solutions that make faster

and cheaper use of renewable energy sources without compromising effectiveness in reducing CO<sub>2</sub> emissions.

At 31 December 2019, IDeA EESS had called up 81.3% of the total commitment and distributed 79.8% of that commitment, after making nine investments, of which two were still in the portfolio at that date.

**REGISTERED OFFICE:**  
**Italy**

**SECTOR:**  
**Private Equity**

**WEBSITE:**  
**[www.deacapitalaf.com](http://www.deacapitalaf.com)**

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*Fund size:*

**100 million  
Euro**

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## IDEA ENERGY EFFICIENCY AND SUSTAINABLE DEVELOPMENT

The units in IDeA EESS have a value in the Consolidated Financial Statements for the Year Ending 31 December 2019 of EUR 6.9 million, a change compared with 31 December 2018 (EUR 9.3 million) due to capital calls of EUR +0.2 million,

distributions of EUR -2.8 million and a pro-rata net profit of the fund of EUR +0.2 million.

The table below shows a breakdown of the fund's NAV at 31 December 2019:

(EUR million)	Industry	% share	Investment date	100%	DeA Capital
<b>Portfolio investments</b>					
<i>Tecnomeccanica</i>	Lighting components for the automotive sector	93.6%	October 27, 2016	4.5	1.4
<i>Stalam</i>	Radiofrequency equipment for textile and food sector	90.4%	November 30, 2016	4.6	1.4
<b>Total portfolio participations</b>				<b>9.1</b>	<b>2.8</b>
Other assets (liabilities)				2.2	0.7
Cash and cash equivalents				10.2	3.4
<b>Total Net Equity</b>				<b>21.5</b>	<b>6.9</b>

The table below shows the key figures for IDeA EESS at 31 December 2019:

IDeA EESS (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in the fund
<i>IDeA Efficienza Energetica e Sviluppo Sostenibile</i>	Italy	2011	100,000,000	30,400,000	30.40
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>		<b>Eur</b>	<b>5,690,728</b>		



**INVESTMENT DETAILS:**

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

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

**BRIEF DESCRIPTION:**

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

At 31 December 2019, IDeA ToI had called up 81.7% of the total commitment and distributed 47.8% of that commitment, after making seven investments.

**Significant events in 2019**

On 26 March 2019, IDeA ToI completed the acquisition of 70% of the Alice Pizza Group, the first Italian pizza-by-the-slice chain, for a total consideration of EUR 25.7 million.

On 4 June 2019, IDeA ToI completed the acquisition of 70% of Abaco, a leading player in Europe in the supply of software solutions for the management and control of territorial resources, oriented towards precision agriculture and environmental sustainability. The fund's total investment was EUR 14.9 million.

On 22 November 2019, IDeA ToI completed the acquisition of 69.3% of Turatti's capital for a consideration of EUR 15.7 million. Turatti is a company active in the design and construction of machinery for the processing of fruit and vegetables of the fourth range.

On 6 December 2019, IDeA ToI completed the sale of the entire holding in Mineral Waters "Lurisia" to the Coca Cola Group, against consideration of EUR 29 million (equal to 1.5 times the capital invested), of which EUR 1.9 million is held in an escrow account for up to 18 months.

The units in IDeA ToI were valued at EUR 16.5 million in the Consolidated Financial Statements at 31 December 2019 (EUR 11.9 million at 31 December 2018). The change was due to capital calls of EUR +7.1 million, distributions of EUR -3.1 million and an increase in fair value of EUR +0.6 million. The table below shows the key figures for IDeA ToI at 31 December 2019:

IDeA ToI (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in the fund
IDeA Taste of Italy	Italy	2014	218,100,000	25,200,000	11.55
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>		<b>Eur</b>	<b>2,489,048</b>		

**REGISTERED OFFICE:**  
Italy

**SECTOR:**  
Private Equity

**WEBSITE:**  
[www.deacapitalaf.com](http://www.deacapitalaf.com)

*Fund size:*

**218 million  
Euro**

## IDEA CORPORATE CREDIT RECOVERY I (IDEA CCR I)



**DEA CAPITAL**  
ALTERNATIVE FUNDS SGR

**REGISTERED OFFICE:**  
Italy

**SECTOR:**  
Credit funds

**WEBSITE:**  
www.deacapitalaf.com

**INVESTMENT DETAILS:**

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

At 31 December 2019, the total commitment of DeA Capital S.p.A. in the fund was EUR 7.7 million.

**BRIEF DESCRIPTION:**

IDeA CCR I, which has total assets of EUR 245.2 million at 31 December 2019, is a closed-end mutual fund under Italian law, for qualified investors, which aims to help relaunch medium-sized Italian companies that are facing financial difficulties but have solid business fundamentals (Target Companies), sharing the profits between creditors and new investors, by:

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

The third closing of the Loans Segment of the IDeA CCR I fund was finalised on 4 July 2019 for a total of EUR 23.4 million, bringing the Segment's assets up to EUR 202.5 million.

The fund is divided into two segments:

- **Loans Segment**, which has acquired loans and financial equity instruments relating to the Target Companies from eight banks for a consideration of approximately EUR 202.5 million, in exchange for the allocation of units of the Loans segment;
- **New Finance Segment**, which has obtained commitments for new finance currently totalling up to around EUR 42.7 million, which could be used for the Target Companies.

At 31 December 2019 the Loans segment is fully invested, while the New Finance segment had called up 27% of the total commitment, in respect of the units held by DeA Capital S.p.A. On the same date, the Loans and New Finance Segments had distributed 52% and 12%, respectively, of their commitments.

The units in IDeA CCR I were valued at EUR 1.0 million in the Consolidated Financial Statements at 31 December 2019 (EUR 0.9 million at 31 December 2018). The changes were essentially due to capital calls of EUR +0.1 million.

The table below shows the key figures for the IDeA CCR I fund at 31 December 2019:

IDeA Agro (€)	Registered office	Year of commitment	Fund Size	Subscribed commitment	% DeA Capital in the fund
IDeA CCR I	Italy	2016	245,247,185	7,650,000	3.12
of which:					
New Financing Segment			42,750,000	7,575,000	17.72
Credit Segment			202,497,185	75,000	0.04
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>		<b>Eur</b>	<b>5,430,679</b>		

*Fund size:*

245 million  
Euro

**INVESTMENT DETAILS:**

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

DeA Capital S.p.A. has a total commitment of EUR 15.2 million in the fund.

**BRIEF DESCRIPTION:**

IDeA CCR I, which had total assets of EUR 575.7 million as at 31 December 2019, is a closed-end mutual fund under Italian law, for qualified investors, which aims to help relaunch medium-sized Italian companies that are facing financial difficulties but have solid business fundamentals (Target Companies), sharing the profits between creditors and new investors, with an approach similar to the one of the IDeA CCR I fund as described above.

In 2019, the fund completed in succession the third, the fourth and the fifth closings of the Loans Segment, bringing the Segment's total assets from EUR 256.8 million to EUR 332.4 million.

The fund is divided into three parts:

- **Loans Segment**, which has acquired loans relating to the Target Companies from several major Italian banks for a consideration of approximately EUR 332.4 million in exchange for the granting of units in the Loans Segment;

- **New Finance Segment**, which has obtained commitments for new finance of up to around EUR 69.8 million, which could be used for the Target Companies or companies with similar characteristics;
- **Shipping Segment**, which has obtained loans from eight fund partner banks relating to eight shipping management target companies, for a consideration, expressed in USD, of approximately USD 195 million at 31 December 2019, against the allocation of units of the fund's Shipping Segment.

As at 31 December 2019, the Loans and Shipping Segments were fully invested, while the New Finance Segment had called up 22.6% of the commitment. As at the same date, the Loans Segment distributed 10.0% of its commitment.

The units in IDeA CCR I were valued at EUR 3.3 million in the Consolidated Financial Statements at 31 December 2019 (EUR 1.6 million at 31 December 2018). The changes were essentially due to capital calls of EUR +1.7 million.

The table below shows the key figures for the IDeA CCR II fund at 31 December 2019:

<b>IDeA Agro (€)</b>	<b>Registered office</b>	<b>Year of commitment</b>	<b>Subscribed Fund Size</b>	<b>% commitment</b>	<b>DeA Capital in the fund</b>
IDeA CCR II	Italy	2017			
New Financing Segment			69,750,000	15,075,000	21.61
Credit Segment			332,385,988	75,000	0.02
Shipping Segment			195,324,500 (*)	n.a.	n.a.
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>		<b>Eur</b>	<b>11,674.530</b>		

(\*) Value in US Dollar

**REGISTERED OFFICE:**  
Italy

**SECTOR:**  
Credit funds

**WEBSITE:**  
[www.deacapitalaf.com](http://www.deacapitalaf.com)

*Fund size:*

**576 million  
Euro**

## Platform Investments - Holdings

At 31 December 2019, investments in Holdings have a total value in the Consolidated Financial Statements of EUR 6.8 million, mainly attributable to:

- ToI Due, a company holding a controlling interest in the Alice Pizza Group (valued at EUR 5.0 million);
- Paris R2, a French vehicle that owns an office property in the Paris area (for a total investment, including shareholder loans, of EUR 1.4 million);
- Bobigny Irrigo, a French vehicle that owns an office property in Bobigny in the Department of Senna-Saint-Denis (for a total investment of EUR 0.4 million).

## Other investments

PWith regard to Holdings, at 31 December 2019, the DeA Capital Group was a shareholder of:

- Kenan Investments, owner of a holding in Migros (valued at EUR 15.7 million);
- IDEaMI, in liquidation (valued at EUR 22.4 million);
- Cellularline, the Italian leader in the development and sale of smartphone and tablet accessories (valued at EUR 6.8 million).

The units in venture capital funds had a total value of EUR 6.5 million in the Financial Statements at 31 December 2019 (EUR 9.0 million at 31 December 2018). The change in the period was due to distributions of EUR -1.8 million and the decrease in fair value of EUR -0.7 million.

The table below shows the key figures for venture capital funds in the portfolio at 31 December 2019:

<b>Dollars (USD)</b>	<b>Registered office</b>	<b>Year of commitment</b>	<b>Fund Size</b>	<b>Subscribed commitment</b>	<b>% DeA Capital in the fund</b>
Doughty Hanson & Co Technology	UK EU	2004	271,534,000	1,925,000	0.71
GIZA GE Venture Fund III	Delaware U.S.A.	2003	211,680,000	10,000,000	4.72
Pitango Venture Capital III	Delaware U.S.A.	2003	417,172,000	5,000,000	1.20
<b>Total Dollars</b>				<b>16,925,000</b>	
<b>Euro (€)</b>					
Nexit Infocom 2000	Guernsey	2000	66,325,790	3,819,167	5.76
<b>Pound Sterling (GBP)</b>					
Amadeus Capital II	UK EU	2000	235,000,000	13,500,000	5.74
<b>Residual Commitments</b>					
<b>Total residual commitment in:</b>		<b>Euro</b>		<b>4,299,726</b>	

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

## Consolidated Income Statementa

The Group's Net Profit in the 2019 was approximately EUR 12.3 million, compared with EUR 11.1 million in FY 2018 (a 11% increase approximately).

Revenues and other income break down as follows:

- Alternative Asset Management fees of EUR 66.1 million (EUR 63.3 million in 2018);
- income from holdings valued at equity, negative by EUR -0.6 million (EUR -0.1 million in 2018);
- other investment income and charges totalling EUR 6.8 million (mainly due to the increase in the fair value of the investment in Kenan Inv. / Migros of EUR 7.5 million), compared with EUR 37.8 million in 2018 essentially related to the IDEa OF I fund, particularly to the capital gain on the sale of the Corin holding).
- service revenues of EUR 0.4 million (EUR 2.5 million in 2018).

Operating costs totalled EUR 59.5 million, compared with EUR 56.2 million in 2018.

Costs in 2019 break down to EUR 50.2 million relating to Alternative Asset Management, EUR 0.4 million to Alternative

Investments and EUR 8.9 million to Holding company structures. Note that Alternative Asset Management costs include the effects of the amortisation of assets recorded when a portion of the purchase price of the holding in DeA Capital Real Estate SGR was allocated (EUR 0.6 million).

Financial income and expense stood at a total of EUR +2.8 million at 31 December 2019 (EUR +0.5 million in 2018).

The full tax impact for 2019, equal to EUR -5.0 million (EUR -5.8 million in 2018), is the result of taxes related to Alternative Asset Management activities for EUR -6.6 million (EUR -4.8 million in 2018) offset by tax credits of EUR +1.6 million (EUR -1.0 million in 2018) relating to Holding company structures.

The consolidated Net Profit of EUR +11.1 million breaks down as follows: EUR +11.0 million attributable to Alternative Asset Management, EUR +4.9 million to Alternative Investment and EUR -4.8 million to Holding Companies/Eliminations.

The Group's Net Profit of EUR +12.3 million breaks down as follows: EUR +11.8 million attributable to Alternative Asset Management, EUR +5.3 million to Alternative Investment and EUR -4.8 million to Holding Companies/Eliminations.

## Summary Consolidated Income Statement

(EUR thousand)	Financial Year 2019	Financial Year 2018
Alternative Asset Management fees	66,117	62,422
Income (loss) from investments valued at equity	(647)	(59)
Other investment income/expense	6,832	37,848
Income from services	378	2,505
Other revenues and income	63	141
Other expenses and charges (*)	(59,475)	(56,232)
Financial income and expenses	2,791	485
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>16,059</b>	<b>47,110</b>
Income tax	(5,003)	(5,765)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>11,056</b>	<b>41,345</b>
Profit (Loss) from discontinued operations/held-for-sale assets	0	0
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>11,056</b>	<b>41,345</b>
- Group share	12,256	11,070
- Non controlling interests	(1,200)	30,275
Earnings per share, basic	0.047	0.044
Earnings per share, diluted	0.047	0.044

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

## Performance by business in 2019

(EUR thousand)	Alternative Investment	Alternative Asset Management	Holdings/ Eliminations	Consolidated
Alternative Asset Management fees	0	66,414	(297)	66,117
Income (loss) from investments valued at equity	104	(751)	0	(647)
Other investment income/expense	4,568	2,264	0	6,832
Other revenues and income	0	53	388	441
Other expenses and charges	(374)	(50,225)	(8,876)	(59,475)
Financial income and expenses	598	(251)	2,444	2,791
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>4,896</b>	<b>17,504</b>	<b>(6,341)</b>	<b>16,059</b>
Income tax	0	(6,584)	1,581	(5,003)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>4,896</b>	<b>10,920</b>	<b>(4,760)</b>	<b>11,056</b>
Profit (Loss) from discontinued operations/held-for-sale assets	0	0	0	0
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>4,896</b>	<b>10,920</b>	<b>(4,760)</b>	<b>11,056</b>
- Group share	5,277	11,739	(4,760)	12,256
- Non controlling interests	(381)	(819)	0	(1,200)

## Performance by business in 2018

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

## Comprehensive Income – Statement of Performance – IAS 1

Comprehensive Income or the Statement of Performance (IAS 1), which reports on the Group's performance in the period, including results recognised directly in shareholders' equity, reflects a net positive balance of approximately EUR +12.5 million, essentially reflecting the Net Profit of the Income Statement.

(EUR thousand)	Financial Year 2019	Financial Year 2018
<b>Profit/(loss) for the period (A)</b>	<b>11,056</b>	<b>41,345</b>
Comprehensive income/expense which might be subsequently reclassified to the profit (loss) for the period	581	(173)
Comprehensive income/expense which will not be subsequently reclassified within the profit (loss) for the period	(342)	(21)
<b>Other comprehensive income, net of tax (B)</b>	<b>239</b>	<b>(194)</b>
<b>Total comprehensive income for the period (A)+(B)</b>	<b>11,295</b>	<b>41,151</b>
<b>Total comprehensive income attributable to:</b>		
- Group Share	12,495	10,881
- Non Controlling Interests	(1,200)	30,270

## Consolidated Statement of Financial Position

Below is the Group's Statement of Financial Position at 31 December 2019, compared with 31 December 2018.

(EUR thousand)	31.12.2019	1.1.2019 restated for IFRS 16 (*)	31.12.2018 "as reported"
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b><i>Intangible and tangible assets</i></b>			
Goodwill	104,647	93,745	93,745
Intangible assets	42,912	21,023	21,023
Property, plant and equipment	14,297	16,924	854
-Building in Leasing	13,420	15,681	0
-Other leased assets	318	389	0
-Other property, plant and equipment	559	854	854
<i>Total intangible and tangible assets</i>	<i>161,856</i>	<i>131,692</i>	<i>115,622</i>
<b><i>Investments</i></b>			
Investments at equity	30,802	20,892	20,892
Investments held by Funds at Fair Value through P&L	22,773	23,511	23,511
Other Investments at Fair Value through P&L	50,382	50,953	50,953
Funds at Fair Value through P&L	143,597	153,551	153,551
Other financial assets at Fair Value through P&L	37	36	36
<i>Total financial Investments</i>	<i>247,591</i>	<i>248,943</i>	<i>248,943</i>
<b><i>Other non-current assets</i></b>			
Deferred tax assets	2,409	2,183	2,183
Loans and receivables	2,485	752	752
Receivables for deferment of placement costs	377	482	482
Financial receivables for leasing - non current position	1,313	1,558	0
Other non-current assets	4,613	4,668	4,668
<i>Total other non-current assets</i>	<i>11,197</i>	<i>9,643</i>	<i>8,085</i>
<b>Total non-current assets</b>	<b>420,644</b>	<b>390,278</b>	<b>372,650</b>
<b>Current assets</b>			
Trade receivables	8,653	14,678	14,678
Financial assets at Fair Value	14,192	6,316	6,316
Financial receivables	0	500	500
Financial receivables for leasing - current position	245	240	0
Tax receivables from parent companies	3,953	374	374
Other tax receivables	37,176	15,760	15,760
Other receivables	8,207	4,051	4,051
Cash and cash equivalents	99,511	143,767	143,767
<i>Total current assets</i>	<i>171,937</i>	<i>185,686</i>	<i>185,446</i>
<b>Total current assets</b>	<b>171,937</b>	<b>185,686</b>	<b>185,446</b>
<b>Held-for-sale assets</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>592,581</b>	<b>575,964</b>	<b>558,096</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	266,612	306,612	306,612
Share premium reserve	186,882	240,859	240,859
Legal reserve	61,322	61,322	61,322
Own share reserve	(10,415)	(82,766)	(82,766)
Fair value reserve	402	(179)	(179)
Other reserves	(17,930)	(18,555)	(18,555)
Retained earnings (losses)	(41,665)	(51,882)	(51,882)
Profit (loss) for the year	12,256	11,070	11,070
<b>Net equity Group</b>	<b>457,464</b>	<b>466,481</b>	<b>466,481</b>
<b>Minority interests</b>	<b>23,634</b>	<b>39,299</b>	<b>39,299</b>
<b>Shareholders' equity</b>	<b>481,098</b>	<b>505,780</b>	<b>505,780</b>

follows >>



(EUR thousand)	31.12.2019	1.1.2019 restated for IFRS 16 (*)	31.12.2018 "as reported"
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
<b>Trade payables</b>	<b>800</b>	<b>900</b>	<b>900</b>
Deferred tax liabilities	5,993	6,018	6,018
End-of-service payment fund	5,582	4,637	4,637
Payables to staff and social security organisations	631	0	0
Financial liabilities	13,457	17,909	2,859
- Financial liabilities for leasing	12,437	15,050	0
- Financial liabilities for other leased assets			0
- Other financial liabilities	1,020	2,859	2,859
Other debts	631	0	0
<b>Total non-current liabilities</b>	<b>26,463</b>	<b>29,464</b>	<b>14,414</b>
<b>Current liabilities</b>			
Trade payables	5,470	5,535	5,535
End-of-service payment fund	21		
Payables to staff and social security organisations	11,836	9,122	9,122
Current tax	4,336	5,846	5,846
Other tax payables	1,491	1,256	1,256
Other payables	42,299	15,939	15,939
Short term financial payables	19,567	3,022	204
- Short term financial payables for leasing	3,045	2,818	0
- Short term financial payables for other leased assets			0
- Other Short term financial payables	16,522	204	204
<b>Total current liabilities</b>	<b>85,020</b>	<b>40,720</b>	<b>37,902</b>
<b>Held-for-sale liabilities</b>	<b>0</b>		<b>0</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>592,581</b>	<b>575,964</b>	<b>558,096</b>

(\*) Figures at 31 December 2018 adjusted for the effects of the application of the new accounting standard IFRS 16 starting from 1 January 2019.

At 31 December 2019, DeA Capital S.p.A. reported Group consolidated shareholders' equity of EUR 457.5 million, corresponding to a **Net Asset Value (NAV) of EUR 1.76**

**per share** (compared with EUR 1.72 per share at the end of 2018, adjusted due to the distribution of an extraordinary dividend of EUR 0.12 per share in May 2019).

## Consolidated net financial position

At 31 December 2019, the consolidated Net Financial Position was EUR 105.6 million, as shown in the table below:

<b>Net financial position</b> (EUR million)	<b>31.12.2019</b>	<b>1.1.2019 (*)</b>	<b>Change</b>
Cash and cash equivalents	99.5	112.6	(13.1)
Financial assets at Fair Value through OCI	14.2	6.3	7.9
Financial receivables (**)	25.0	3.1	21.9
Non-current financial liabilities	(13.5)	(18.0)	4.5
Current financial liabilities	(19.6)	(3.0)	(16.6)
<b>TOTAL</b>	<b>105.6</b>	<b>101.0</b>	<b>4.6</b>

(\*) Data at 31.12.2018 restated for the application of IFRS 16 from 1.1.2019 and dividends distributed in may 2019.

(\*\*) Excluding financial receivables attributable to Platform Investments, represented in the Investment Portfolio for 1.4 million Euro.  
Including intangible assets relating to contractual rights connected to the investment in Quaestio Holding.

The Company believes that the cash and cash equivalents and the other financial resources available are sufficient to meet the requirement relating to payment commitments already subscribed to in funds, also taking into account the amounts expected to be called up/distributed by these funds.

For these residual commitments, the Company believes that the resources currently available, as well as those that will be generated by its operating activities, will enable the Group to meet the financing required for its investment activity and to manage working capital.

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

The Parent Company DeA Capital S.p.A. operates as the Group's industrial holding company, with activities of coordination, development and strategic management of its subsidiaries, and it also acts as a company that makes direct financial investments.

A summary of the Income Statement and the Statement of Financial Position of DeA Capital S.p.A. for the year ended 31 December 2019 is shown below.

### Parent Company results - Income Statement

(EUR)	Financial Year 2019	Financial Year 2018
Other investment income/expense	18,503,754	23,905,019
Income from services	1,067,147	2,594,113
Other income	159	85,548
Personnel costs	(9,420,153)	(8,318,732)
Financial income	558,239	124,007
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>10,709,146</b>	<b>18,389,955</b>
Income tax	1,742,313	(1,086,104)
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>12,451,459</b>	<b>17,303,851</b>
Profit (Loss) from discontinued operations/held-for-sale assets	0	0
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>12,451,459</b>	<b>17,303,851</b>

The Parent Company's Net Profit in 2019 was approximately EUR 12.5 million, (compared with EUR 17.3 million in the 2018). The profit accrued in 2019 is mainly attributable to dividends from Alternative Asset Management activities,

while the profit accrued in 2018 largely reflected the revaluation of the IDeA Opportunity Fund I fund (EUR +26.8 million, following the capital gains linked to the sale of the Corin investment).

## Parent Company results - Statement of Financial Position

The Parent Company's Statement of Financial Position at 31 December 2019, compared with 31 December 2018, is shown below.

(EUR)	31.12.2019	1.1.2019 restated for IFRS 16 (*)	31.12.2018 "as reported"
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible and tangible assets</b>			
Intangible assets	22,320,454	0	0
Tangible assets	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
<i>Total intangible and tangible assets</i>	<i>24,898,502</i>	<i>2,998,444</i>	<i>104,843</i>
<b>Investments</b>		0	
Subsidiaries and joint ventures	228,129,083	212,907,710	212,907,710
Associates	22,380,407	11,187,597	11,187,597
Available-for-sale investments	0	0	0
Other Investments at Fair Value through P&L	50,640,583	50,912,374	50,912,374
Available-for-sale funds	0	0	0
Funds at Fair Value through P&L	95,714,422	98,668,127	98,668,127
<i>Total Investments</i>	<i>396,864,495</i>	<i>373,675,808</i>	<i>373,675,808</i>
<b>Other non-current assets</b>			
Deferred tax assets	0	0	0
Financial receivables for leasing- non current position	7,123,235	8,452,538	0
Tax receivables from Parent companies	0	0	0
<i>Total other non-current assets</i>	<i>7,123,235</i>	<i>8,452,538</i>	<i>0</i>
<b>Total non-current assets</b>	<b>428,886,232</b>	<b>385,126,790</b>	<b>373,780,651</b>
<b>Current assets</b>			
Trade receivables	330,773	310,122	310,122
Financial receivables	1	1	1
Financial receivables for leasing- current position	1,329,303	1,300,452	0
Tax receivables from Parent companies	2,412,782	0	0
VAT receivables from Parent companies	0	0	0
Other tax receivables	2,794,207	3,590,820	3,590,820
Other receivables	43,766	495,382	495,382
Cash and cash equivalents	61,158,627	100,732,781	100,732,781
<i>Total current assets</i>	<i>68,069,459</i>	<i>106,429,558</i>	<i>105,129,106</i>
<b>Total current assets</b>	<b>68,069,459</b>	<b>106,429,558</b>	<b>105,129,106</b>
<b>Held-for-sale assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>496,955,691</b>	<b>491,556,348</b>	<b>478,909,757</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	266,612,100	306,612,100	306,612,100
Share premium reserve	186,881,208	240,858,282	240,858,282
Legal reserve	61,322,420	61,322,420	61,322,420
Own share reserve	(10,415,488)	(82,765,896)	(82,765,896)
Fair Value reserve	(5,172,414)	(5,737,177)	(5,737,177)
Other reserves	(45,449,479)	(62,519,812)	(62,519,812)
Retained earnings (losses)	12,451,459	17,303,851	17,303,851
<b>Shareholders' equity</b>	<b>466,229,806</b>	<b>475,073,768</b>	<b>475,073,768</b>

follows >>

(EUR)	31.12.2019	1.1.2019 restated for IFRS 16 (*)	31.12.2018 "as reported"
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	0	0	0
Provisions for employee termination benefits	410,056	318,288	318,288
Financial liabilities - non current position	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
<b>Total non-current liabilities</b>	<b>9,778,982</b>	<b>11,249,093</b>	<b>318,288</b>
<b>Current liabilities</b>			
Trade payables	659,991	1,259,579	1,259,579
Payables to staff and social security organisations	1,688,416	830,258	830,258
Tax payables to Parent company	0	1,132,133	1,132,133
Current tax payables to Subsidiaries	63,926	63,926	63,926
Other tax payables	200,182	214,990	214,990
Other payables	16,737	16,815	16,815
Short term financial payables	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
<b>Total current liabilities</b>	<b>20,946,903</b>	<b>5,233,487</b>	<b>3,517,701</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>496,955,691</b>	<b>491,556,348</b>	<b>478,909,757</b>

(\*) Figures at 31 December 2018 adjusted for the effects of the application of the new accounting standard IFRS 16 starting from 1 January 2019.

At 31 December 2019, the Shareholders' Equity of the Parent Company amounted to approximately EUR 466.2 million, compared to EUR 475.1 million at 31 December 2018, with a change equal to EUR -8.9 million, due mainly to the distribution of part of the Share Premium Reserve (EUR -31,2

million), to the effects of the movements of the treasury shares (EUR +8.0 million as the consideration for the acquisition of a minority interest of DeA Capital Real Estate SGR) and to the positive result of the Financial Year.

Pursuant to the CONSOB Communication of 28 July 2006, a reconciliation between the shareholders' equity and net profit at 31 December 2019 reported by the Parent Company DeA Capital S.p.A. is shown below, together with the corresponding consolidated figures.

(EUR million)	Equity at 31.12.2019	Net Profit/ (loss) 2019	Equity at 31.12.2018	Net Profit/ (loss) 2018
<b>Equity and Net Profit/(Loss) for the year, as reported in the Parent Company financial statement</b>	<b>466,230</b>	<b>12,451</b>	<b>475,074</b>	<b>17,304</b>
- Surplus of net equity reported in financial statements compared to book values of shareholdings in consolidated companies	(8,766)	0	(8,593)	0
- Pro-rata results achieved by shareholdings	-	27,436	0	39,544
- Elimination of dividends received by shareholdings	-	(13,782)	0	(4,729)
- Pro-rata results achieved by associated companies, valued as Shareholders' Equity	-	(515)	0	737
- Elimination of revaluation / impairment of investments in DeA Capital S.p.A.	-	5,020	0	(34,065)
- Elimination of dividend received from DeA Capital S.p.A.	-	(18,354)	0	(7,721)
- Elimination of results from disposal of investments in DeA Capital S.p.A.	-	0	0	0
<b>Consolidated Financial Statement - Group</b>	<b>457,464</b>	<b>12,256</b>	<b>466,481</b>	<b>11,070</b>
<b>Consolidated Financial Statement - Third parties</b>	<b>23,634</b>	<b>(1,200)</b>	<b>39,299</b>	<b>30,275</b>
<b>Bilancio Consolidato - quota di spettanza del Gruppo e di Terzi</b>	<b>481,098</b>	<b>11,056</b>	<b>505,780</b>	<b>41,345</b>

## 7. Other information

### 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 as of 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 as the latter, 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.

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 and 730,656 treasury shares under the 2015-2017 and 2016-2018 Performance Shares 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..

### Related Party transactions

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

### Holdings, remuneration, stock options and performance shares held by directors, auditors, general managers and key management personnel

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

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

### Management and coordination

The Company is controlled by De Agostini S.p.A., which under Article 2497-sexies of the Italian Civil Code carries out the Company's management and coordination activities.

Please see the Notes to the Financial Statements above for key figures from the latest approved financial statements of De Agostini S.p.A..

## Research and development activities

Pursuant to art. 2428, para. 3 of the Italian Civil Code, the Company did not carry out any research and development activity in 2019.

## Atypical or unusual transactions

Pursuant to Consob Communication No. 6064293 of 28 July 2006, in 2019 neither the Company nor the Group carried out any atypical or unusual transactions or significant transactions that were not a part of ordinary operations.

## Significant non-recurring events and transactions

It should be noted, pursuant to the aforementioned CONSOB Communication, that during 2019, the DeA Capital Group did not take part in any significant non-recurring transactions, given that the acquisition transactions of the minority shares in DeA Capital Real Estate SGR, of the share of the relative majority in the Quaestio Holding /Quaestio SGR, the indirect disposal of the Migros units, as well as the other transactions related the holdings and to the funds in the portfolio, are to be considered as ordinary activities.

## Corporate Governance

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

### Issuer's profile

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

### Extent of application of the Code of Conduct

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

### Corporate bodies

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

Pursuant to the Articles of Association, the Board manages the Company's business and is invested with all the administrative powers needed for this purpose, with the exception of those powers reserved for the Shareholders' Meeting, pursuant to legislation and the Articles of Association. The Board of Directors has assigned to the Chairman of the Board, Lorenzo Pellicoli, and to the Chief Executive Officer, Paolo Ceretti, powers of ordinary and extraordinary administration, with the right to subscribe: (i) by single signature, any act, document or contract involving an expenditure commitment, whether or not prospective, or connected to an investment not exceeding EUR 20,000,000; (ii) by joint signature any act, document or contract involving an expenditure commitment, whether or not prospective, or connected to an investment exceeding EUR 20,000,000 and up to EUR 50,000,000. On the other hand, any decision on expenditure commitments and investments exceeding EUR 50,000,000 is exclusively reserved to the Board.

During 2019, the Board of Directors met five times. For the 2020 Financial Year, the calendar of scheduled meetings has been published (also available on the website [www.deacapital.com](http://www.deacapital.com)).

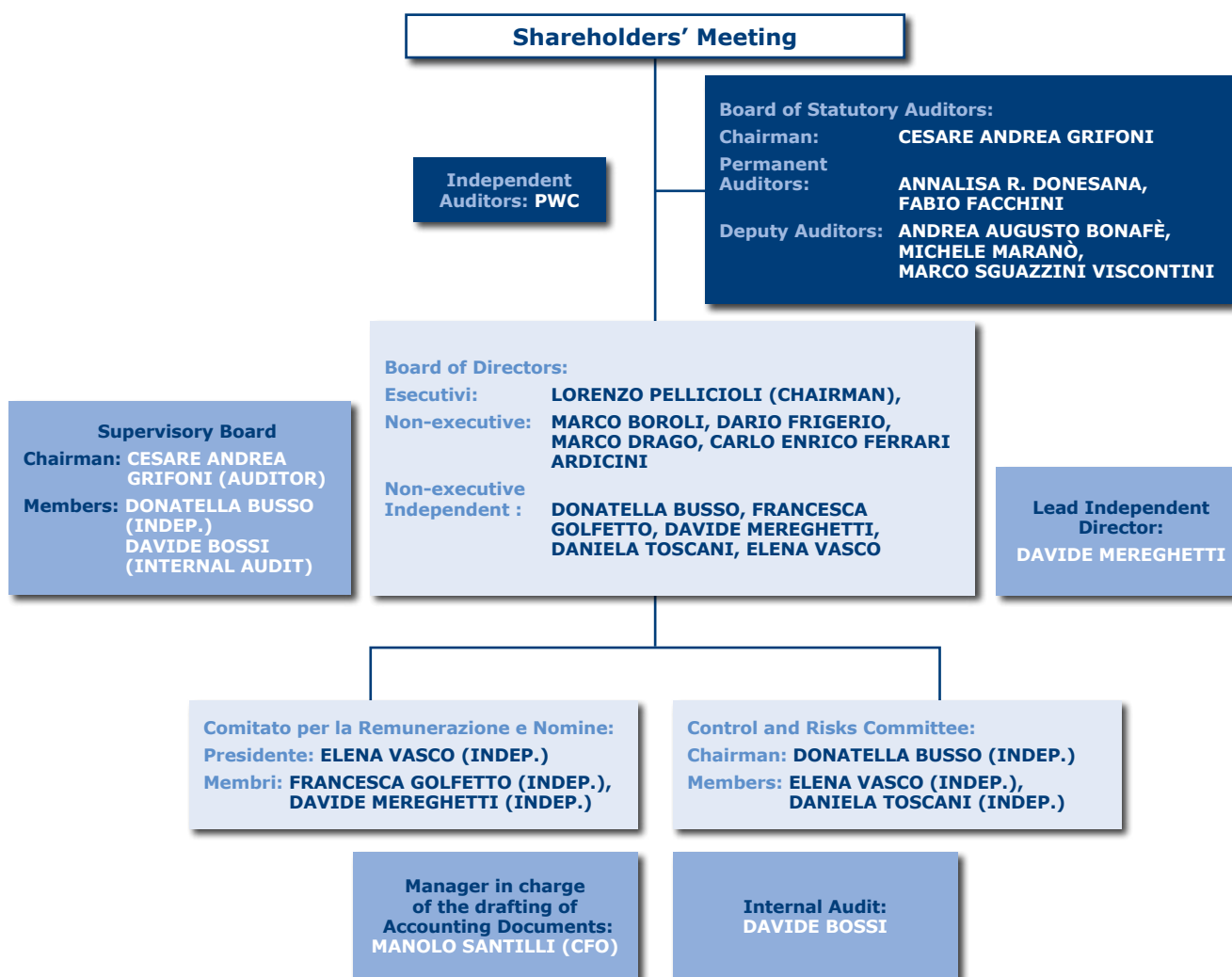
- The **Board of Statutory Auditors** comprises six members (the Chairman, two Permanent Auditors and three Deputy Auditors). It monitors compliance with the law and the Company's articles of association, observance of the principles of proper management, and the suitability and proper functioning of the organisational, administrative and accounting structure. During 2019, the Board of Statutory Auditors met six times.
- The **Remuneration and Appointments Committee** is comprised of three independent directors and:

(i) as part of its duties in relation to remuneration, submits proposals to the Board of Directors concerning the remuneration of the Chief Executive Officer and assesses the Chief Executive Officer's recommendations regarding the remuneration of managers with strategic responsibilities; (ii) as part of its duties with regard to the appointment and composition of the Board of Directors, submits recommendations to the Board on the appropriate professional profile of board members

in order to ensure its optimal composition and efficient operation, formulates opinions on the size and composition of the Board and recommends candidates for the post of director in cases of co-option. During 2019, the Remuneration Committee met four times.

- The **Control and Risk Committee** is comprised of three independent directors; this Committee provides advice and makes proposals to the Board of Directors. During 2019, the Control and Risks Committee met six times.

### Corporate Governance Chart at 31 December 2019:





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

The risks set out below take into account the features of the market and the operations of the Parent Company DeA Capital S.p.A. and the consolidated Group companies, the main findings of a risk assessment carried out in 2019, as well as the periodic monitoring conducted partly through the regulatory policies adopted by the Group.

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

### A. Contextual risks

#### A.1 Risks relating to general economic conditions

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

#### A.2 Socio-political events

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

#### A.3 Regulatory changes

Group companies conduct their operations in regulated sectors and markets. Any changes to or developments in the legislative or regulatory framework that affect the costs and revenues structure of investee companies or the tax regime applied could have negative effects on the Group's financial results and necessitate changes to the Group's strategy. To combat this risk, the Group has established procedures

to constantly monitor sector regulation and any changes thereto, in order to take advantage of business opportunities and respond promptly to any changes to the prevailing legislation and regulations.

#### A.4 Performance of the financial markets

The Company's ability to meet its strategic and management objectives could depend on the performance of financial markets. A negative trend in financial markets could have an effect on 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, which cannot be directly controlled by the Group, are constantly monitored in order to identify appropriate response strategies that involve both the provision of guidance for the management of Group companies, and the investment and value enhancement strategy for the assets held.

#### A.5 Exchange rates

Holding investments in currencies other than the Euro exposes the Group to changes in exchange rates between currencies. The investment in Kenan Investments is managed as a special case, since although it was made in Euros, the underlying asset (Migros holding) is expressed in Turkish lira.

#### A.6 Interest rates

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

## **B. Strategic risks**

### ***B.1 Concentration of the Alternative Investment portfolio***

The Alternative Investment strategy adopted by the Group includes:

- Direct investments;
- Indirect investments (via funds).

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

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

### ***B.2 Concentration of Alternative Asset Management 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 Group has defined and implemented appropriate strategies that include

strategic, operational and management aspects, as well as a system monitoring the level of asset diversification in the Alternative Asset Management business.

### ***B.3 Key resources (governance/organisation)***

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

## **C. Operating risks**

### ***C.1 Investment operations***

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

### ***C.2 Compliance with covenants***

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

### ***C.3 Divestment operations***

In its Alternative Investment business, the Group generally invests over a medium- to long-term time horizon. Over the investment management period, external situations could arise that might have a significant impact on the operating results of the investee companies and, consequently, on the value of the investment itself. Furthermore, in the case of co-investment, guiding the management of an investee company could prove problematic or infeasible, and it may

ultimately prove impossible to dispose of the stakes held due to lock-up clauses. The divestment strategy could therefore be negatively affected by various factors, some of which cannot be foreseen at the time the investments are made.

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

#### *C.4 Funding risk*

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

## Other information

At 31 December 2019, the Group had 212 employees (193 at the end of 2018), including 42 senior managers, 72 middle managers and 98 clerical staff. Of these, 194 worked in Alternative Asset Management and 18 in Alternative Investment/Holding Companies. These staff levels do not include personnel on secondment from the Parent Company De Agostini S.p.A.

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

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

## The Management

### Lorenzo Pelliccioli, Executive Chairman

**Lorenzo Pelliccioli** (69 years old) is Chairman of the Board of Directors of DeA Capital. He started his career as a journalist for the newspaper Giornale Di Bergamo and afterwards became VicePresident of Bergamo TV Programmes. From 1978 to 1984 he held different posts in Italian private television sector: for Manzoni Pubblicità, for Publikompass up to his nomination as Rete 4 General Manager.

In 1984 he joined Gruppo Mondadori, the leading Italian publishing group. He was initially appointed General Manager for Advertising Sales, and Mondadori Periodici (magazines) Deputy General Manager, and afterwards President and CEO of Manzoni & C. S.p.A, the Group's advertising representative. From 1990 to 1997, he served first as President and CEO of Costa Cruise Lines in Miami, which is part of the Costa Crociere Group operating in the North American market (USA, Canada and Mexico) and then became General Manager of Costa Crociere S.p.A., based in Genoa.

From 1995 to 1997 he was also President and CEO of Compagnie Française de Croisières (Costa-Paquet), the Paris-based subsidiary of Costa Crociere. From 1997 onwards he participated in the privatisation of SEAT Pagine Gialle, which was purchased by a group of financial investors. After the acquisition he was appointed CEO of SEAT. In February 2000 he also took charge of the Internet Business unit of Telecom Italia, subsequent to the sale of SEAT.

In September 2001, following the acquisition of Telecom Italia by the Pirelli Group, he resigned. As from November 2005 he became CEO of the De Agostini Group. He was Chairman of Gtech from August 2006 until April 2015 and, after the merger with IGT, he became Vice Chairman of IGT and, since November 2018, he is Chairman of the company.

He is a member of the Board of Directors of Assicurazioni Generali S.p.A.. He is also member of the Advisory Board of Palamon Capital Partners. He was formerly also a member of the boards of Enel, INA-Assitalia and Toro Assicurazioni, and of the Advisory Board of Lehman Brothers Merchant Banking. On April 3, 2017 he was honoured with the title of Chevalier dans l'ordre de la Légion d'Honneur (Knight of the French Legion of Honor).

### Paolo Ceretti, Chief Executive Officer

**Paolo Ceretti** (65 years old) is Chief Executive Officer of DeA Capital since 2007. He gained his professional experience inside the Agnelli Group, holding from 1979 positions of increasing importance at Fiat SpA (Internal Auditing and Finance) and in the Financial Services Sector (Planning, Credit and Control) and subsequently assuming the position of Head of Strategic Planning and Development of Ifil (now EXOR).

After assuming responsibility for the internet B2C sector of Fiat/Ifil in 1999 as CEO of CiaoHolding and CiaoWeb, he was appointed CEO of GlobalValue SpA, at Fiat/IBM joint venture in the Information Technology sector. Since 2004, he has been General Manager of De Agostini S.p.A., the holding of the De Agostini Group where he is also CEO of De Agostini Editore. He is a member of the Board of Directors of Quaestio, Banijay Group and other companies of the Group.



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

**Manolo Santilli** (51 years old) is Chief Financial Officer of DeA Capital since February 2007 and Investor Relations director since July 2016. He gained his professional experience starting in 1996 in STET International in the Planning, Controlling and Initiative Evaluation area, subsequently assuming in 2000 the responsibility of Administration and Control at IFIL/FIAT of the Internet Start-up Ciaoweb. In 2002 he became Investment Manager in Finmeccanica and since 2004 he entered the De Agostini Group where he is currently also Administration, Finance and Reporting Manager for De Agostini S.p.A..

In 1994 he graduated in Economics at the Università Commerciale L. Bocconi of Milan. He is also Auditor and member of the Professional Accountants register in Pescara.

**Pier Luigi Rossi, Head of  
Strategy and Development**

**Pier Luigi Rossi** (47 years old) is Head of Strategy and Development since July 2017, reporting directly to the Chief Executive Officer, supporting top management in strategic investments, divestments and management of the shareholdings.

He started his career in Value Partners Management Consulting. From 1997 to 2003, he worked in London in the Investment Banking Department of Morgan Stanley as analyst in the General M&A Execution Group later becoming senior associate in the European Financial Institutions Group, focusing on the Italian market. From June 2003 to September 2005, he was senior transactor of the Advisory Team of Mediocredito Centrale (Capitalia Group) later becoming head of Group M&A and Business Development of Capitalia until October 2007. From the end of 2007 to June 2017, he was founding partner of Sator and partner of Sator Private Equity Fund where he was also head of Investor Relations and board member of various portfolio companies.

He received a BA with honours in Business Administration with major in Finance from Bocconi University in Milan in 1997 and attended MBA Courses in Finance at The Wharton School of the University of Pennsylvania.



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## Significant events after the end of the period and outlook

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.

While waiting to be able to more completely evaluate the effects of the aforesaid Coronavirus, the management of DeA Capital S.p.A. will continue to be focused on the development of the Alternative Asset Management Platform, through the further growth of activities at the international level, the launch of new products and the coordination, in particular in the go-to-market strategy, of Quaestio SGR.

DeA Capital S.p.A. will continue to maintain a constant monitoring of the situation, with the support of a solid financial structure that is able to ensure - taking into account available liquidity - attractive cash returns to Shareholders, primarily through dividends.

## 8. Proposal to approve the Financial Statements of DeA Capital S.p.A. for the Year Ending 31 December 2019 and the partial distribution of the share premium reserve

Dear Shareholders,

In submitting the Financial Statements for the Year Ending 31 December 2019 for your approval, the Board of Directors proposes that you pass the following resolutions:

"The DeA Capital S.p.A. Ordinary Shareholders' Meeting,  
- after reviewing the Draft Financial Statements for the Year Ending 31 December 2019, which show a profit of EUR 12,451,459 (loss of EUR 17,303,851 in 2018);  
- in acknowledgement of the Reports of the Board of Auditors and of the Independent Auditors, PricewaterhouseCoopers S.p.A.;  
- in acknowledgement that the Legal Reserve is at least one-fifth of the Share Capital and that the Share Premium Reserve of DeA Capital S.p.A. at 31 December 2019 was EUR 186,881,208;

resolves

1. to approve the Report of the Board of Directors on the Group's position and on operating performance;
2. to approve the Statement of Financial Position, Income Statement and Notes to the Financial Statements for the Year Ending 31 December 2019 and the related annexes;
3. to carry forward the profit of EUR 12,451,459, as these are reflected in the Financial Statements at 31 December 2019, to reduce prior year losses;
4. to make a partial distribution of the Share Premium Reserve in an amount of EUR 0.12 per share;
5. to grant the Chairman of the Board of Directors Lorenzo Pellicoli and the Chief Executive Officer Paolo Ceretti broad powers to execute these resolutions, jointly or severally through their agents and in compliance with the deadlines and procedures established by law".

Milan, 10 March 2020

FOR THE BOARD OF DIRECTORS  
The Chairman  
Lorenzo Pellicoli







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

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

# Consolidated Statement of Financial Position

		1.1.2019 restated for IFRS 16 (*)		
(EUR thousand)	Note	31.12.2019	31.12.2018 "as reported"	
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible and tangible assets</b>				
Goodwill	1a	104,647	93,745	93,745
Intangible assets	1b	42,912	21,023	21,023
Property, plant and equipment	1c	14,297	16,924	854
- <i>Building in Leasing</i>		13,420	15,681	0
- <i>Other leased assets</i>		318	389	0
- <i>Other property, plant and equipment</i>		559	854	854
<b>Total intangible and tangible assets</b>		<b>161,856</b>	<b>131,692</b>	<b>115,622</b>
<b>Investments</b>				
Investments at equity	2a	30,802	20,892	20,892
Investments held by Funds at Fair Value through P&L	2b	22,773	23,511	23,511
Other Investments at Fair Value through P&L	2c	50,382	50,953	50,953
Funds at Fair Value through P&L	2d	143,597	153,551	153,551
Other financial assets at Fair Value through P&L		37	36	36
<b>Total financial Investments</b>		<b>247,591</b>	<b>248,943</b>	<b>248,943</b>
<b>Other non-current assets</b>				
Deferred tax assets	3a	2,409	2,183	2,183
Loans and receivables	3b	2,485	752	752
Receivables for deferment of placement costs	3c	377	482	482
Financial receivables for leasing - non current position	3d	1,313	1,558	0
Other non-current assets	3e	4,613	4,668	4,668
<b>Total other non-current assets</b>		<b>11,197</b>	<b>9,643</b>	<b>8,085</b>
<b>Total non-current assets</b>		<b>420,644</b>	<b>390,278</b>	<b>372,650</b>
<b>Current assets</b>				
Trade receivables	4a	8,653	14,678	14,678
Financial assets at Fair Value	4b	14,192	6,316	6,316
Financial receivables	4c	0	500	500
Financial receivables for leasing - current position	4d	245	240	0
Tax receivables from parent companies	4e	3,953	374	374
Other tax receivables	4f	37,176	15,760	15,760
Other receivables	4g	8,207	4,051	4,051
Cash and cash equivalents	4h	99,511	143,767	143,767
<b>Total current assets</b>		<b>171,937</b>	<b>185,686</b>	<b>185,446</b>
<b>Total current assets</b>		<b>171,937</b>	<b>185,686</b>	<b>185,446</b>
<b>TOTAL ASSETS</b>		<b>592,581</b>	<b>575,964</b>	<b>558,096</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		266,612	306,612	306,612
Share premium reserve		186,882	240,859	240,859
Legal reserve		61,322	61,322	61,322
Own share reserve		(10,415)	(82,766)	(82,766)
Fair value reserve		402	(179)	(179)
Other reserves		(17,930)	(18,555)	(18,555)
Retained earnings (losses)		(41,665)	(51,882)	(51,882)
Profit (loss) for the year		12,256	11,070	11,070
<b>Net equity Group</b>		<b>457,464</b>	<b>466,481</b>	<b>466,481</b>
<b>Minority interests</b>		<b>23,634</b>	<b>39,299</b>	<b>39,299</b>
<b>Shareholders' equity</b>	5	<b>481,098</b>	<b>505,780</b>	<b>505,780</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade payables	6a	800	900	900
Deferred tax liabilities	3a/6b	5,993	6,018	6,018
End-of-service payment fund	6c	5,582	4,637	4,637
Payables to staff and social security organisations	6d	631	0	0
Financial liabilities	6e	13,457	17,909	2,859
- <i>Financial liabilities for leasing</i>		12,437	15,050	0
- <i>Other financial liabilities</i>		1,020	2,859	2,859
<b>Total non-current liabilities</b>		<b>26,463</b>	<b>29,464</b>	<b>14,414</b>
<b>Current liabilities</b>				
Trade payables	7a	5,470	5,535	5,535
End-of-service payment fund		21		
Payables to staff and social security organisations	7b	11,836	9,122	9,122
Current tax	7c	4,336	5,846	5,846
Other tax payables	7d	1,491	1,256	1,256
Other payables	7e	42,299	15,939	15,939
Short term financial payables	7f	19,567	3,022	204
- <i>Short term financial payables for leasing</i>		3,045	2,818	0
- <i>Other Short term financial payables</i>		16,522	204	204
<b>Total current liabilities</b>		<b>85,020</b>	<b>40,720</b>	<b>37,902</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>592,581</b>	<b>575,964</b>	<b>558,096</b>

(\*) Figures at 31.12.2018 reclassified/restated pursuant to IFRS 16.

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

## Consolidated Income Statement

(EUR thousand)	Note	Financial Year 2019	Financial Year 2018
Alternative Asset management fees	8	66,117	62,422
Income from equity investments	9	(647)	(59)
Other investment income/expense	10	6,832	37,848
Income from services	11	378	2,505
Other income	12	63	141
Personnel costs	13 a	(36,969)	(30,610)
Service costs	13 b	(13,806)	(17,137)
Depreciation, amortization and impairment	13 c	(4,778)	(3,909)
Other expenses	13 d	(3,922)	(4,576)
Financial income	14 a	3,588	814
Financial expenses	14 b	(797)	(329)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>16,059</b>	<b>47,110</b>
Income tax	15	(5,003)	(5,765)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>11,056</b>	<b>41,345</b>
Profit (Loss) from discontinued operations/held-for-sale assets		0	0
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>11,056</b>	<b>41,345</b>
- Group share		12,256	11,070
- Non controlling interests		(1,200)	30,275
Earnings per share, basic (€)	16	0.047	0.044
Earnings per share, diluted (€)	16	0.047	0.044

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

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

Comprehensive Income or the Statement of Performance (IAS 1), in which performance for the period attributable to the Group is reported including results posted directly to shareholders' equity, reflects a net positive balance of EUR +12,495 thousand (compared with a net positive balance of approximately EUR +10,881 thousand in 2018).

(EUR thousand)	Financial Year 2019	Financial Year 2018
<b>Profit/(loss) for the period (A)</b>	<b>11,056</b>	<b>41,345</b>
Comprehensive income/expense which might be subsequently reclassified within the profit (loss) for the period	581	(173)
<i>Incomes (Losses) on financial assets at fair value</i>	581	(173)
Comprehensive income/expense which will not be subsequently reclassified to the profit (loss) for the period	(342)	(21)
<i>Gains/(losses) on remeasurement of defined benefit plans</i>	(342)	(21)
<b>Other comprehensive income, net of tax (B)</b>	<b>239</b>	<b>(194)</b>
<b>Total comprehensive income for the period (A)+(B)</b>	<b>11,295</b>	<b>41,151</b>
<b>Total comprehensive income attributable to:</b>		
- Group Share	12,495	10,881
- Non Controlling Interests	(1,200)	30,270

## Consolidated Cash Flow Statement - Direct Method

(EUR thousand)	Financial Year 2019	Financial Year 2018
<b>CASH FLOW from operating activities</b>		
Investments in funds and shareholdings	(44,848)	(67,924)
Capital reimbursements from funds	39,716	58,689
Sale of investments	1,600	84,760
Interest received	521	574
Interest paid	(1)	(32)
Realized gains (losses) on exchange rate and derivatives	0	1
Taxes paid / reimbursed	(9,431)	(10,238)
Dividends received	135	183
Management and performance fees received	64,385	76,333
Revenues for services	2,137	2,350
Operating expenses	(45,063)	(48,288)
<b>Net cash flow from operating activities</b>	<b>9,151</b>	<b>96,408</b>
<b>CASH FLOW from investing activities</b>		
Acquisition of property, plant and equipment	(410)	(118)
Sale of property, plant and equipment	0	38
Purchase of licenses and intangible assets	(6,230)	(195)
<b>Net cash flow from investing activities</b>	<b>(6,640)</b>	<b>(275)</b>
<b>CASH FLOW from financing activities</b>		
Acquisition of financial assets	(7,658)	(2,726)
Sale of financial assets	516	200
Cash flow from leasing contract	(3,003)	0
Share capital issued	27	696
Own shares acquired	0	(3,186)
Share capital issued for Stock Option Plan	324	0
Dividends paid	(37,531)	(75,508)
Loans and bank loans	(2,046)	432
<b>Net cash flow from financing activities</b>	<b>(49,371)</b>	<b>(80,092)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(46,860)</b>	<b>16,041</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>143,767</b>	<b>127,916</b>
Effect of change in basis of consolidation: cash and cash equivalents	2,604	(190)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>99,511</b>	<b>143,767</b>

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

## Consolidated Statement of Changes in Shareholders' Equity

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Reserve of own shares	Fair value reserve
<b>Total at 31 december 2017 "after reclassification"</b>	<b>306,612</b>	<b>271,309</b>	<b>61,322</b>	<b>(80,026)</b>	<b>77,009</b>
Restatement for IFRS 9 application	0	0	0	0	(77,015)
Restatement for IFRS 15 application	0	0	0	0	0
<b>Total at 1° January 2018</b>	<b>306,612</b>	<b>271,309</b>	<b>61,322</b>	<b>(80,026)</b>	<b>(6)</b>
Allocation of 2017 net profit	0	0	0	0	0
Performance share / Stock option cost	0	0	0	0	0
Purchase of own shares	0	0	0	(3,186)	0
Treasury shares given for incentive plans	0	0	0	446	0
Dividend distribution	0	(30,450)	0	0	0
Other changes	0	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(173)</b>
<b>Total at 31 December 2018</b>	<b>306,612</b>	<b>240,859</b>	<b>61,322</b>	<b>(82,766)</b>	<b>(179)</b>

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Reserve of own shares	Fair value reserve
<b>Total at 31 December 2018</b>	<b>306,612</b>	<b>240,859</b>	<b>61,322</b>	<b>(82,766)</b>	<b>(179)</b>
Allocation of 2018 net profit	0	0	0	0	0
Performance share / Stock option cost	0	0	0	0	0
Cancellation of own shares	(40,000)	(22,780)	0	62,780	0
Treasury shares given for incentive plans	0	0	0	1,525	0
Dividend distribution	0	(31,197)	0	0	0
Other changes	0	0	0	8,046	0
<b>Total comprehensive income (loss)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>581</b>
<b>Total at 31 December 2019</b>	<b>266,612</b>	<b>186,882</b>	<b>61,322</b>	<b>(10,415)</b>	<b>402</b>

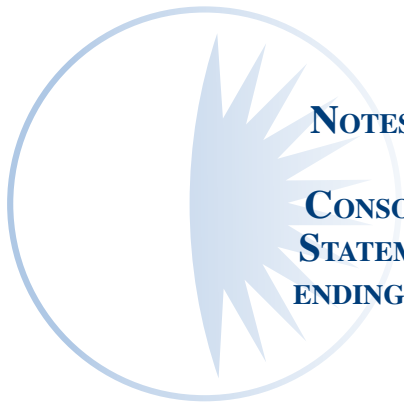
Pursuant to Consob Resolution 15519 of 27 July 2006, the impact of dealings with related parties on the Statement of Financial Position, Income Statement and Cash Flow Statement is explained in the Notes to the Financial Statements.

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

Other reserves	Retained earnings and losses	Group Profit & Loss	Group total	Non-controlling interests	Consolidated shareholders' equity
<b>(18,555)</b>	<b>(51,882)</b>	<b>11,070</b>	<b>466,481</b>	<b>39,299</b>	<b>505,780</b>
0	11,070	(11,070)	0	0	0
1,560	0	0	1,560	0	1,560
0	0	0	0	0	0
(968)	(234)	0	323	0	323
0	0	0	(31,197)	(5,188)	(36,385)
375	(619)	0	7,802	(9,277)	(1,475)
<b>(342)</b>	<b>0</b>	<b>12,256</b>	<b>12,495</b>	<b>(1,200)</b>	<b>11,295</b>
<b>(17,930)</b>	<b>(41,665)</b>	<b>12,256</b>	<b>457,464</b>	<b>23,634</b>	<b>481,098</b>







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

# Notes to the Financial Statements Consolidated Financial Statements for the year ending 31 December 2019

## A. Structure and content of the Consolidated Financial Statements

The Consolidated Financial Statements for the Year Ending 31 December 2019 include the Parent Company DeA Capital S.p.A. and all subsidiaries (the Group), and were prepared using the separate financial statements of the companies included in the scope of consolidation corresponding to the relevant individual statements, restated as necessary, to adapt them to the accounting standards listed below as dictated by Italian law.

The Consolidated Financial Statements were prepared in accordance with the general principles of IAS 1, and specifically:

- the matching principle: the effect of events and transactions is recorded when they occur, and not when payment is made or received;
- the going concern principle: the financial statements are prepared under the assumption that business operations will continue for the foreseeable future. In this regard, as indicated in the section "Main risks and uncertainties" in the Report on Operations, the directors believe that the risks and uncertainties described therein, 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: consolidated financial statements must show comparative information for the previous period.

**To this end, we hereby note that following the introduction of the new IFRS 16 classification and measurement rules applicable as of 1 January 2019, it was necessary to restate the accounting balances outstanding as 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 at 31 December 2018, as per the approved Financial Statements;**
- **the figures as at 1 January 2019, i.e. the figures as at 31 December 2018 adjusted to reflect the impact of the application of IFRS 16. For further details, please refer to the section "Changes in accounting principles and the treatment of errors - Reclassification / Restatement".**

The Consolidated Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, the Statement of Comprehensive Income (Statement of Performance – IAS 1) and the Notes to the Consolidated Financial Statements. The Consolidated Financial Statements are also accompanied by the Report on Operations and a Statement of Responsibilities for the Accounts pursuant to Article 154-bis of Legislative Decree 58/98.

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

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

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

### **Statement of compliance with accounting standards**

The Consolidated Financial Statements for the Year Ending 31 December 2019 (2019 Consolidated 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, 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 Consolidated Financial Statements were prepared with a focus on clarity, and provide a true and fair view of the assets, financial situation, operating result and cash flows for the period.

### **Accounting standards, amendments and interpretations applied as of 1 January 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 Group 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, as permitted by the Standard, as it has 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 of the right of use portion pertaining to the DeA Capital Group companies, totalling EUR 16.1 million;
- 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, totalling EUR 1.8 million;
- the recognition of financial liabilities for a total of EUR 17.9 million.

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 1.1%.

It is also noted that future lease commitments pursuant to IAS 17 at 31 December 2018 amounted to EUR 17.2 million (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 16.1 million. The difference, amounting to EUR 1.1 million, 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 – 2015-2017 Cycle") for the following standards:

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

The amendments were ratified by the European Commission on 14 March 2019 and are applicable as of 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 were ratified by the European Commission on 13 March 2019 and are applicable as of 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 Group, but were already approved for adoption in the European Union as at 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 were ratified by the European Commission on 29 November 2019 and are applicable as of 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 were ratified by the European Commission on 29 November 2019 and are applicable as of 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 Group 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 Group will adopt these new standards, amendments and interpretations based on the stipulated date of application, and will assess their potential impact when they have been ratified by the European Union.**

## Scope of consolidation

The scope of consolidation as at 31 December 2019 has changed from the situation as at 31 December 2018 due to the establishment of DeACapital Real Estate Iberia and DeA Capital Real Estate Poland and the acquisition of a relative majority stake in Quaestio Holding S.A.

Therefore, at 31 December 2019, the following companies formed part of the DeA Capital Group's scope of consolidation:

Company	Registered office	Currency	Share capital	% holding	Consolidation method
<b>DeA Capital S.p.A.</b>	<b>Milan, Italy</b>	<b>Eur</b>	<b>266,612,100</b>	<b>Holding</b>	
DeA Capital Alternative Funds SGR S.p.A.	Milan, Italy	Eur	1,300,000	100.00%	Full consolidation
IDeA OF I	Milan, Italy	Eur	-	46.99%	Full consolidation
DeA Capital Partecipazioni S.p.A.	Milan, Italy	Eur	600,000	100.00%	Full consolidation
DeA Capital Real Estate SGR S.p.A.	Rome, Italy	Eur	16,757,557	100.00%	Full consolidation
DeA Capital Real Estate France S.A.S.	Paris, France	Eur	100,000	70.00%	Full consolidation
DeA Capital Real Estate Iberia S.L.	Madrid, Spain	Eur	100,000	73.00%	Full consolidation
Kiloran Sp. Z o.o. (DeA Capital Real Estate Poland)	Warsaw, Poland	PLN	2,000,000	50.00%	Equity accounted (Joint-venture)
Quaestio Holding S.A.	Luxembourg	Eur	4,839,630	38.82%	Equity accounted (Associate)
YARD Group	Milan, Italy	Eur	617,450	43.56%	Equity accounted (Associate)
IDeA Efficienza Energetica e Sviluppo Sostenibile	Milan, Italy	Eur	-	30.40%	Equity accounted (Associate)
Venere	Rome, Italy	Eur	-	27.27%	Equity accounted (Associate)

The above list meets the requirements of Consob Resolution 11971 of 14 May 1999 and subsequent amendments (art. 126 of the Regulation).

## Consolidation method

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

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

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

The financial statements to be consolidated, which were drawn up on 31 December 2019, were prepared and approved by the Boards of Directors of the individual companies, appropriately adjusted, where necessary, to harmonise them with the Parent Company's accounting standards.

The main criteria adopted to apply this full consolidation method are indicated below:

1. the financial statements of the Parent Company and of the subsidiaries are incorporated on a "line by line" basis;
2. the carrying value of the holdings is offset against the corresponding shareholders' equity figure. When a company is included in the consolidation for the first time, the cost of the business combination is allocated to the identifiable assets acquired and liabilities assumed, restated at fair value, as well as to minority interests, measured at fair value, since the Group has opted to recognise the entire amount of the Goodwill from the transaction, including the portion pertaining to third parties (the full goodwill approach). Any residual portion, if negative, is recorded in the income statement, while if positive it is recorded under an asset item called "Goodwill", which is annually subject to impairment testing;

3. transactions between consolidated companies are eliminated, as are payables and receivables and unrealised profits resulting from transactions between Group companies net of any tax impact;
4. the portions of shareholders' equity attributable to minority shareholders are reported, along with the respective share of net profit for the period, in appropriate shareholders' equity items.

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

The companies over which the Group exercises joint control are included in the Consolidated Financial Statements in a different way according to the type of agreement. Specifically, the types of joint control agreements are as follows:

- Joint Operation: an agreement whereby the parties which have joint control of the agreement have rights to the assets covered by the agreement, as well as obligations in respect of the liabilities covered by the agreement. These parties are referred to as joint managers. These agreements are included in the consolidated financial statements using the proportional consolidation method;
- Joint Venture: agreement whereby the parties which have joint control of the agreement have rights to the net assets of the agreement. These parties are referred to as joint ventures. These agreements are included in the consolidated financial statements under "Investments in associates and joint ventures" and valued using the equity method.

## B. Measurement criteria adopted

The measurement criteria adopted on the basis of International Accounting Standards and reported below are consistent with the going concern principle and have not changed from those used in the preparation of the Consolidated Financial Statements for the Year Ending 31 December 2018 and the Summary Consolidated Half-year Financial Statements at 30 June 2019 apart from as a result of the application of the new IAS/IFRS accounting standards as described above.

### ***Current and non-current assets and liabilities***

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

- it is expected to be 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 realisation 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 12 months following the end of the financial year.

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

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

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

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

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

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

### ***Goodwill***

Goodwill is represented by the excess of the purchase cost incurred on the net fair value of the assets acquired and the liabilities assumed on the date of acquisition. Goodwill is not amortised on a regular basis but is subject to a periodic impairment test to assess whether the carrying value is appropriate. Impairment tests are performed on goodwill at least annually. These tests are performed with reference to the cash generating unit to which goodwill is attributed. Any impairment



of the goodwill value is reported if its recoverable value is lower than its carrying value. The recoverable value is the greater of the fair value of the cash generating unit, less selling costs, and its value in use. The goodwill value may not be written back if it has previously been written down due to impairment.

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

### ***Intangible assets***

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

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

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

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

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

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

The value of the fees related to the final variable commissions is subject to a fairness check whenever there are indications of 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.

Note that following the application of IFRS 16 from 1 January 2019, the item includes the assets consisting of the right to use, for the portion attributable to DeA Capital Group companies, related to all contracts that are defined as leases (except short term leases and leases for low-value items that lessors are entitled not to recognise pursuant to IFRS 16, paragraphs 5-6); more specifically, on initial recognition, the lessee recognises the asset consisting of the right to use at cost (including the amount of the initial measurement of the lease liability, prepayments of lease payments net of any incentives received, the initial direct costs incurred by the lessee and the costs of restoration, removal or demolition, i.e., the Dismantling cost).

### ***Associates***

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

If the Group's share of an associate's losses exceeds the carrying value of the equity investment reported in the financial statements, the carrying value of the equity investment is eliminated, and the share in further losses is not reported unless, and to the extent that, the Group is legally liable for such losses.

When the holding is acquired, any difference between its cost and the Parent Company's stake in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as required by IFRS 3, i.e., any goodwill is included in the carrying value of the holding.

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

## ***Companies subject to joint control (Joint Operations and Joint Ventures)***

The companies in which the Group exercises joint control are included in the Consolidated Financial Statements in different ways according to the type of agreement; in particular, the types of joint control agreements are as follows:

- Joint Operation: an agreement whereby the parties which have joint control of the agreement have rights to the assets covered by the agreement, as well as obligations in respect of the liabilities covered by the agreement. These parties are referred to as joint managers. These agreements are included in the consolidated financial statements using the proportional consolidation method;
- Joint Venture: agreement whereby the parties which have joint control of the agreement have rights to the net assets of the agreement. These parties are referred to as joint venturers. These agreements are included in the Consolidated Financial Statements using the equity method and therefore follow the same accounting rules described above with regard to associated companies.

## ***Financial assets***

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

Specifically, the standard contains a framework for classifying and valuing financial assets based on three business models:

- Hold to collect (HTC), or financial assets held with the aim of collecting contractual cash flows. In this case, the valuation criterion that can be adopted is amortised cost (if they pass the SPPI (solely payment of principal and interest) Test) or fair value through profit and loss (FVTPL);
- Hold to collect and sell (HTC&S), i.e., financial assets held with the aim of either collecting contractual cash flows or to be sold. In this case, the valuation criterion that can be adopted is fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL);
- Other business models: in this case the valuation criterion that can be adopted is fair value through profit and loss (FVTPL).

The classification of financial assets is also guided by the contractual characteristics of their cash flows, to the extent that, if certain characteristics are absent, classification in some of the above-defined categories is precluded.

The new standards also provides for a new impairment model which differs from the model previously provided in IAS 39 and is based primarily on the concept of expected losses.

The standard applies from 1 January 2018, except for Hedge Accounting, for which companies can provisionally opt to keep the IAS 39 framework.

The DeA Capital Group's application of this standard concerned:

- a) the classification and valuation of financial assets;
- b) the determination of impairment losses on trade and financial receivables;
- c) the treatment of hedge accounting.

### ***a) Classification and valuation of financial assets***

On 1 January 2018, the new international accounting standard IFRS 9 "Financial Instruments" came into force, replacing IAS 39 "Financial Instruments": Recognition and Measurement" for the valuation and accounting of financial assets.

IFRS 9 requires the classification of financial assets attributable to the DeA Capital S.p.A. Group (hereinafter also "the Company") to be guided, on the one hand, by the characteristics of the related contractual cash flows and, on the other, by the management intent (Business Model) for which these assets are held.

According to IFRS 9, financial assets are classified into three categories:

- Financial assets measured at Amortised Cost
- Financial assets measured at Fair Value with changes in equity (Fair Value Other Comprehensive Income) - "FVOCI";
- Financial assets measured at Fair Value with changes in the Income Statement (Fair Value through Profit and Loss) - "FVTPL".

The classification and measurement of financial assets, represented by receivables, securities and debt instruments, involves a two-step approach:

1. definition of the Business Model based on the type of financial asset portfolios as defined below;
2. valuation of the contractual cash flow characteristics of the identified instrument.

In application of IFRS 9, the DeA Capital Group identified the following categories of financial assets:

#### 1) Investment funds

Investment funds (listed and unlisted) are measured at fair value with changes in value recognised directly in the income statement.

The choice of the above-mentioned approach (fair value with changes in value recognised directly in the Income Statement) depends on the classification of the investment funds, which, according to IAS 32, must have the necessary features to be classified as a debt instrument, as also clarified by IFRIC in May 2017. Failure to exceed the so-called SPPI Test ("Solely payment of principal and interest ") required by IFRS 9 for such instruments (due to the fact that cash flows generated by them are not solely due to the payment of principal and interest), precludes recognition at amortised cost or among HTC&S instruments measured at fair value with a balancing entry in a shareholders' equity reserve, and thus must be accounted for using the so-called "fair value through profit and loss" approach.

#### 2) Shares

Shares (listed or unlisted) are measured at fair value. IFRS 9 stipulates that fair value is the only valuation criterion for investments in equity instruments.

Shares in the portfolios at both 31 December 2018 and 31 December 2019 were not held for trading purposes (there are no differences in treatment between IAS 39 and IFRS 9 in this case), and thus, according to IFRS 9, the Group may decide, in relation to each shareholding (i.e. instrument-by-instrument) whether to recognise changes in the value of the stock directly in the Income Statement (similar to the mandatory treatment for held-for-trading positions), or, alternatively, in shareholders' equity on a definitive basis (with no reversal to the Income Statement, even in the case of realised capital gains/losses).

The Group has decided to recognise changes in the value of this asset class directly in the Income Statement.

#### 3) Bonds

Listed bonds are measured at fair value. In accordance with IFRS 9, this type of asset can be measured at fair value (as an alternative to amortised cost); changes in the value of these securities can be recognised directly in the Income Statement or, alternatively, in shareholders' equity (OCI) with a subsequent reversal to the Income Statement when the security is sold (except for interest accrued at the actual interest rate, which is booked to the Income Statement for the relevant period, and any expected impairment losses), according to the underlying business model.

All the Group's listed bonds in the portfolio as at 31 December 2018 and 31 December 2019 are of the plain vanilla type, therefore the 'SPPI Test' is passed, however, as the underlying business model does not qualify as Hold to Collect (i.e., securities purchased to be held in the portfolio until maturity), they cannot be measured in accordance with IFRS 9 at amortised cost. The business model underlying the holding of such securities is "mixed", i.e., they can be held either to collect the contractual cash flows they generate or they can be sold. These securities must therefore be measured at fair value with changes in value booked to the comprehensive income statement (OCI).

#### 4) Loans and receivables

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.

It should be noted that, following the application of IFRS 16 from 1 January 2019, loans and receivables include financial receivables for non-current and current leases, for the portion attributable to the De Agostini Group companies for office space subleased to them, of the right of use (the portion attributable to the DeA Capital Group companies is recognised under Tangible assets, as described above).

In summary, minority 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 held by Funds – 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 Group’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.

### ***b) Impairment losses on trade and financial receivables***

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

The IASB has therefore provided for a single new model for the recognition of impairment (the expected credit losses model - ECL) applicable to all financial instruments for which impairment accounting is required (except financial assets measured at FVPL) which allows for a more timely recognition of expected losses, thereby adapting the provisioning policies.

At each balance sheet date the entity shall measure the loss provision for the financial instrument and recognise an amount equal to the expected losses over the life of the receivable if the credit risk of the financial instrument has increased significantly since initial recognition.

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

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

- Stage 1: applies to financial assets without a significant deterioration in credit quality since the date of initial recognition or which have a low credit risk at the balance sheet date. For these financial assets a write-down equal to the expected losses in the following 12 months (12 month expected credit losses) must be recorded. The 12 month expected credit losses are determined by multiplying the probability of a loss occurring in the following 12 months by the total expected loss on the financial instrument in the event of default;
- Stage 2: applies to financial assets with a significant deterioration in credit quality since the date of initial recognition but for which there is no objective evidence of impairment at the balance sheet date. For these financial assets the write-down is determined on the basis of the total lifetime expected credit losses. The lifetime expected credit losses are equal to the present value of the expected losses in case of default of the debtor. It is therefore necessary to assess future losses and weigh them against the probability that they will occur;
- Stage 3: applies to financial assets for which there is objective evidence of loss at the balance sheet date. In this case it is necessary to determine the write-down to an extent equal to the total expected lifetime credit losses). The lifetime expected credit losses are equal to the present value of the expected losses in case of default of the debtor.

There is also a simplified approach for trade receivables, assets arising from contracts and receivables implicit in leases. This approach requires the company to always measure the provision to cover losses at an amount equal to the expected losses throughout the life of the receivable, without following the process of verifying whether there has been a significant deterioration in the customer's credit quality compared to the time of initial recognition (as required by the general model).

In view of the Group's business and the type of financial assets held, the DeA Capital Group has adopted this simplified model, as required by IFRS 9, without recognising the need for adjustments to the recognition method previously adopted.

### ***c) Hedge accounting***

The Group holds no derivative financial instruments and had no hedging transactions in place at 31 December 2019 (or at 31 December 2018).

### ***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 Group has adopted the simplified model provided in IFRS 9; this approach requires the company to always measure the provision to cover losses at an amount equal to the expected losses throughout the life of the receivable, without following the process of verifying whether there has been a significant deterioration in the customer's credit quality compared to the time of initial recognition (as required by the general model).

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 within 90 days and are subject to a negligible risk of price variation. They are reported at fair value.

### **Held-for-sale assets**

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

### **Treasury shares**

Treasury shares are not considered financial assets of the company that issued the shares. The purchase and sales value of treasury shares is recorded as a change in a specific 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 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.

The item Financial liabilities also includes liabilities arising from the estimated earn-out from the purchase of stakes in companies or business units.

When the purchase contract provides for adjustments to the purchase price subject to one or more subsequent events, the acquirer must recognise the fair value of this contingent consideration at the acquisition date, as part of the consideration transferred in exchange for the item acquired. Changes subsequent to the initial recognition of the fair value of this contingent consideration must be recognised as follows:

- a) if the changes in fair value result from additional information obtained by the acquirer after the acquisition date regarding facts and circumstances existing at that date, these changes are adjustments pertaining to the valuation period and therefore form part of the consideration transferred for the acquisition;
- b) if the changes in fair value result from events after the acquisition date (such as the achievement of an income target, the achievement of a specific share price, etc.), those changes are not adjustments for the measurement period and the contingent consideration shall be measured at fair value at each balance sheet date and changes in fair value shall be recognised in profit or loss for the year.

### **Provisions for risks and future liabilities**

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

- it has a legal or implicit obligation to third parties resulting from a past event;
- it is likely that Group resources will be used to meet 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, issued on 28 May 2014 by the IASB and subsequently amended on 11 September 2015. The standard replaces IAS 18 (Revenue), IAS 11 (Construction contracts), and the interpretations SIC 31, IFRIC 13 and IFRIC 15. It requires revenues to be recognised at the time the goods or services are transferred to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services.



The new model for recognising revenues defines a five-step model for recognising revenues from contracts with customers:

- identifying contracts with the customer;
- identifying performance obligations, i.e., contractual commitments to transfer goods or services to a customer. In particular, IFRS 15 requires companies to identify the existence of distinct performance obligations within the same contract, which must therefore be treated separately;
- determining the transaction price;
- allocating transaction prices to performance obligations;
- recognising revenues when the relevant performance obligation has been fulfilled. Specifically, this occurs when an obligation to be met is fulfilled by transferring the goods or services to the customer, or when the customer obtains control of the goods or receives the service. Transfer of control can be assumed progressively over time or at a specific point in time.

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 the 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 Group's obligation towards its employees; therefore, the contributions constitute costs for the period in which they are due.

### ***Share-based payments***

In the Group, benefits are provided in the form of stock options or share-based payments. This applies to all employees, collaborators and Group Directors 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.

### ***Income tax***

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

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

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

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

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

### ***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 helps provide more reliable information or more complete reporting of the impact of transactions on the Group's assets, operating result and cash flows.

The application of a new or amended accounting standard is recorded as required by the standard itself, with adaptation of the comparative information, as required. 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 and the comparative information is provided. If there are minor errors, corrections are posted to the income statement in the period in which the error is discovered.

### ***Restatement***

As a result of applying accounting standard IFRS 16 from 1 January 2019, the Financial Statements at 31 December 2018 had to be restated in order to reflect the impacts thereof. 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 (in EUR thousand):

(EUR thousand)	31.12.2018 "as reported"	Restatement for the application of IFRS 16	1.1.2019 with the application IFRS 16
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible and tangible assets</b>			
Goodwill	93,745		93,745
Intangible assets	21,023		21,023
Property, plant and equipment	854	16,070	16,924
- Building in Leasing		15,681	15,681
- Other leased assets		389	389
- Other property, plant and equipment	854		854
Total intangible and tangible assets	115,622	16,070	131,692
<b>Investments</b>			
Investments at equity	20,892		20,892
Investments held by Funds	23,511		23,511
Other Investments at Fair Value through P&L	50,953		50,953
Funds at Fair Value through P&L	153,551		153,551
Other financial assets at Fair Value through P&L	36		36
Total financial Investments	248,943	0	248,943
<b>Other non-current assets</b>			
Deferred tax assets	2,183		2,183
Loans and receivables	752		752
Receivables for deferment of placement costs	482		482
Financial receivables for leasing - non current position		1,558	1,558
Other non-current assets	4,668		4,668
Total other non-current assets	8,085	1,558	9,643
<b>Total non-current assets</b>	<b>372,650</b>	<b>17,628</b>	<b>390,278</b>
<b>Current assets</b>			
Trade receivables	14,678		14,678
Financial assets at Fair Value	6,316		6,316
Financial receivables	500		500
Financial receivables for leasing - current position		240	240
Tax receivables from parent companies	374		374
Other tax receivables	15,760		15,760
Other receivables	4,051		4,051
Cash and cash equivalents	143,767		143,767
Total current assets	185,446	240	185,686
<b>Total current assets</b>	<b>185,446</b>	<b>240</b>	<b>185,686</b>
<b>TOTAL ASSETS</b>	<b>558,096</b>	<b>17,868</b>	<b>575,964</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	306,612		306,612
Share premium reserve	240,859		240,859
Legal reserve	61,322		61,322
Own share reserve	(82,766)		(82,766)
Fair value reserve	(179)		(179)
Other reserves	(18,555)		(18,555)
Retained earnings (losses)	(51,882)		(51,882)
Profit (loss) for the year	11,070		11,070
<b>Net equity Group</b>	<b>466,481</b>	<b>0</b>	<b>466,481</b>
<b>Minority interests</b>	<b>39,299</b>		<b>39,299</b>
<b>Shareholders' equity</b>	<b>505,780</b>	<b>0</b>	<b>505,780</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade payables	900		900
Deferred tax liabilities	6,018		6,018
End-of-service payment fund	4,637		4,637
Financial liabilities	2,859	15,050	17,909
- Financial liabilities for building in Leasing		14,820	14,820
- Financial liabilities for other property, plant and equipment in Leasing		230	230
- Other financial liabilities	2,859	0	2,859
<b>Total non-current liabilities</b>	<b>14,414</b>	<b>15,050</b>	<b>29,464</b>
<b>Current liabilities</b>			
Trade payables	5,535		5,535
Payables to staff and social security organisations	9,122		9,122
Current tax	5,846		5,846
Other tax payables	1,256		1,256
Other payables	15,939		15,939
Short term financial payables	204	2,818	3,022
- Short term financial payables for Leasing		2,818	2,818
- Other Short term financial payables	204		204
<b>Total current liabilities</b>	<b>37,902</b>	<b>2,818</b>	<b>40,720</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>558,096</b>	<b>17,868</b>	<b>575,964</b>

Specifically, on first-time adoption of IFRS 16, the Group adopted the new standard by applying the 'modified retrospective approach' using the option of recognising in the balance sheet the asset consisting of the right to use the asset underlying the contract at an amount equal to the amount of the lease liability (adjusted for any accruals and deferrals recognised prior to the date of first-time adoption), an option permitted by the standard, since the Group has only leases that were 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 of the right of use portion pertaining to the DeA Capital Group companies, totalling EUR 16.1 million;
- 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, totalling EUR 1.8 million;
- the recognition of financial liabilities for a total of EUR 17.9 million.

No restatement / reclassification was required for the income statement as for IFRS 16 does not require this in the light of the adoption of the modified retrospective approach.

## 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 and in the case concerned are used to estimate the carrying value of assets and liabilities that cannot be easily obtained from other sources. However, since these are estimates, the results obtained should not necessarily be considered definitive.

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

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

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

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

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

These valuations are calculated by directors based on their best judgement and estimation using the knowledge and evidence available at the time the consolidated financial statements are prepared. However, due to objective difficulties in making assessments and the lack of a liquid market, the values assigned to such assets could differ, perhaps and in some cases significantly, from those that could be obtained when the assets are sold.

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 the 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 level at 31 December 2019::

(EUR million)	Note	Level 1	Level 2	Level 3	Total
Investments held by Funds at Fair Value through P&L	2b	0.0	19.8	3.0	22.8
Other Investments at Fair Value through P&L	2c	6.8	36.7	6.9	50.4
Funds at Fair Value through P&L	2d	4.3	139.3	0.0	143.6
Financial assets at fair value through OCI	4b	14.2	0.0	0.0	14.2
<b>Total assets</b>		<b>25.3</b>	<b>195.8</b>	<b>9.9</b>	<b>231.0</b>

For **level 3**, the following table provides a reconciliation between opening and closing balances and separately indicates changes occurring in FY 2019:

(EUR million)	Balance at 1.1.2019	Fair value on income statement	Translation effect	Balance at 31.12.2019
Investments held by Funds at Fair Value through P&L	6.0	(3.0)	0.0	3.0
Other Investments at Fair Value through P&L	0.3	0.0	6.6	6.9
<b>Investments at fair value through P&amp;L</b>	<b>6.3</b>	<b>(3.0)</b>	<b>6.6</b>	<b>9.9</b>

## **Valuation techniques and main input data**

### ***Investments held by Funds – measured at Fair Value through P&L***

At 31 December 2019, the DeA Capital Group held, through the IDeA OF I fund, minority stakes in Iacobucci HF Electronics (EUR 3.0 million at 31 December 2019, compared with EUR 6.0 million at 31 December 2018) and Pegaso Transportation Investments (Talgo) (EUR 19.8 million at 31 December 2019, compared with EUR 17.5 million at 31 December 2018).

*Investments held by funds – measured at fair value through P&L* are measured based on the values indicated in the fund's Management Report as at 31 December 2019.

Note that the valuation of the IDeA OF I fund's assets, as reflected in the fund's net asset value reported in the above-mentioned Management Report, and expressed according to Bank of Italy criteria, considers, for all securities not listed in a regulated market, the lower of the investment value ("cost") and the fair value. This approach, although potentially conservative if assets are valued individually, gives a correct representation of the fair value from the point of view of the holder of the fund units. Any trading of said units is, in practice, based on the NAV of the fund to which they relate, adjusted if necessary by a "discount" (much more rarely by a "premium") and not on the sum of the estimate of the fair values of the individual assets comprised within it. This is the main reason it is considered appropriate, from the perspective of DeA Capital, which holds an interest in the assets in the portfolio of IDeA OF I via the units it holds in the fund, to show the values of said individual assets held by IDeA OF I as reported in the relevant Management Report.

### ***Investments in other companies – measured at fair value through P&L***

At 31 December 2019 this item consisted mainly of the following:

- the shareholding in Kenan Investments (the holder of a shareholding in Migros), which was recorded in the Consolidated Financial Statements at 31 December 2019 at a value of EUR 15.7 million (compared with EUR 19.4 million at 31 December 2018). This valuation is based on (i) the equity value of Migros, measured at market price on 31 December 2019, (ii) updated details of net debt at the various levels of the company's control structure (Kenan Investments and Moonlight Capital) and (iii) the EUR/TRY exchange rate;
- the holding in Cellularline, which was recorded in the Consolidated Financial Statements at 31 December 2019 at EUR 6.8 million (EUR 7.5 million at 31 December 2018). This valuation is based on the market price at 31 December 2019, as the company's shares started trading on the Italian stock exchange on 15 March 2017;
- the holding in IDeaMI which is recorded in the consolidated financial statements at 31 December 2019 at EUR 22.4 million (EUR 23.8 million as at 31 December 2018), a valuation based on the estimated realisable value of the ordinary shares and special shares following the delisting and concurrent liquidation of the company;
- the holding (14.3%) in TOI Due, which in turn holds a majority stake (70%) in the Alice Pizza group, that is recorded in the consolidated financial statements as at 31 December 2019 at EUR 5,000 thousand, equal to the purchase cost (the acquisition was finalised in September 2019).

### ***Funds measured at fair value through P&L***

#### ***(Venture capital funds, funds of funds, theme funds and real estate 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:

- IDeA I FoF (valued at EUR 25.2 million at 31 December 2019 compared with EUR 33.1 million at 31 December 2018);
- ICF II (valued at EUR 29.8 million at 31 December 2019 compared with EUR 31.3 million at 31 December 2018);
- ICF III (valued at EUR 12.3 million at 31 December 2019 compared with EUR 10.4 million at 31 December 2018);
- IDeA I ToI (valued at EUR 16.5 million at 31 December 2019 compared with EUR 11.9 million at 31 December 2018);
- IDeA CCR I (valued at EUR 1.0 million at 31 December 2019, compared with EUR 0.9 million at 31 December 2018);
- IDeA CCR II (EUR 3.3 million at 31 December 2019, compared to EUR 1.6 million at 31 December 2018);
- IDeA Agro (valued at EUR 0.7 million at 31 December 2019, compared to a value substantially nil at 31 December 2018 as set up in 2018);

- Santa Palomba (valued at EUR 0.5 million at 31 December 2019, broadly unchanged on the figure at 31 December 2018)
- 5 venture capital funds (EUR 6.5 million at 31 December 2019, compared to EUR 9.0 million at 31 December 2018);
- 10 real estate funds held through DeA Capital Real Estate SGR (valued at EUR 47.6 million at 31 December 2019, compared with EUR 54.7 million at 31 December 2018);
- funds held through DeA Capital Alternative Funds SGR (valued at EUR 0.2 million at 31 December 2019, substantially unchanged with respect to 31 December 2018).

For venture capital funds, the fair value of each fund is based on the fund's latest 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 declared by the management company in the fund Management Report at 31 December 2019, drafted in accordance with the Bank of Italy's regulation of 19 January 2015, as subsequently amended, on collective asset management.

# Statement of financial position

## Non-current assets

### 1 - Intangible and tangible assets

#### 1a - Goodwill

Changes in goodwill are shown in the table below:

(EUR thousand)	Balance at 1.1.2019	Acquisitions	Disposals	Balance at 31.12.2019
<b>Goodwill</b>	<b>93,745</b>	<b>10,902</b>	<b>0</b>	<b>104,647</b>

This item totalled EUR 104,647 thousand at 31 December 2019 (EUR 93,745 thousand at 31 December 2018) and relates to:

- the acquisition of IFIM / FIMIT SGR (now DeA Capital Real Estate SGR) for EUR 62,421 thousand;
- the holding in DeA Capital Alternative Funds of EUR 42,226 thousand, of which EUR 31,324 thousand was partially reallocated by the former parent company IDeA Alternative Investments S.p.A. and EUR 10,902 thousand from the acquisition of the so-called "NPL Management Business Unit" of Quaestio Capital Management SGR, which was concluded by DeA Capital Alternative Funds SGR during 2019.

With regard to the latter transaction, it should be noted that, on 5 November 2019, DeA Capital Alternative Funds SGR acquired the NPL Management business unit headed by Quaestio SGR, essentially consisting of the management mandates for the "Atlante" and "Italian Recovery Fund" funds, in addition to the team and contracts relating to the aforementioned management mandates, thus extending its operations to the "small ticket" NPL/UTP market segment, complementary to its CCR funds, as well as expanding its potential investor base to a number of leading institutional operators and acquiring an investment & work-out team with proven experience in managing large portfolios.

Specifically, the transaction involved the transfer by Quaestio SGR of the NPL Management business unit to DeA Capital Alternative Funds SGR, with the subsequent immediate purchase and sale by the same Quaestio SGR by DeA Capital S.p.A. of all the shares in DeA Capital Alternative Funds SGR resulting from this transfer, for a total consideration of EUR 12.2 million.

The following table summarises the fair value of the assets and liabilities of the NPL Management business unit at the acquisition date and the related goodwill (in thousands of Euro):

<b>NPL Management Branch</b>	Eur '000
Purchase price - Cash	12,200
<b>Total purchase cost (A)</b>	<b>12,200</b>
Cash and cash equivalents	2,604
Other activities	8
Other liabilities	(1,315)
<b>Fair value of net assets acquired (B)</b>	<b>1,297</b>
<b>Goodwill (A-B)</b>	<b>10,902</b>

Goodwill has been provisionally defined as it is based on preliminary estimates and assumptions: fair value adjustments, which may differ significantly, will be recognised when the final information, including valuations and other analyses, is received, but in any case within one year of the acquisition date.

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

It should also be noted that there were no impairment losses in 2019 (or in 2018).

## ***Impairment tests on goodwill***

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

To conduct impairment tests on the goodwill of the Cash Generating Units (CGUs), the DeA Capital Group allocates goodwill to the CGUs identified in DeA Capital Real Estate SGR (formerly IDeA FIMIT SGR, dedicated to the management of real estate funds) and DeA Capital Alternative Funds SGR (formerly IDeA Capital Funds SGR, focused on the management of private equity funds, which include, from 2019, also the NPL Management business unit acquired from Questio Capital Management SGR S.p.A.), which represent the minimum level at which the DeA Capital Group monitors activities for management control purposes, in line with DeA Capital's strategic vision.

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

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

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

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

Impairment testing was carried out on the **DeA Capital Alternative Funds SGR CGU**, with a carrying amount of EUR 55.6 million (of which 42.2 million constitute the goodwill, including EUR 10.9 million from the acquisition of the NPL Management business unit from Quaestio Capital Management SGR), using the sum of the parts model by determining the value in use, calculated as the sum of (i) the present value of dividend flows (DDM, or dividend discount model) expected from IDeA Capital Funds SGR and (ii) the present value of the carried interest flows expected from funds managed by the company (DCF, or discounted cash flow methodology), both for the specific period covered by the forecasts (2020-2024) and for future periods (using a projected terminal value based on normalised cash flows).

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

The valuation was based on a cost of capital of between +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%.

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

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)). The extent of these changes corroborates the positive outcome of the above-mentioned impairment test.

Similarly, impairment testing was carried out on the **DeA Capital Real Estate SGR CGU**, with a carrying amount of EUR 136.3 million (of which EUR 62.4 million constitute the goodwill), using the sum of the parts model by determining the value in use, calculated as the sum of the present value of dividend flows (DDM, or dividend discount model) expected from DeA Capital Real Estate SGR for the specific period covered by the forecasts (2020-2022) and for future periods (using a projected terminal value based on normalised cash flows).

A number of assumptions were made in determining these flows, including estimates of future increases in revenues, based on expected trends in managed assets, EBITDA and net income or, in the case of carried interest, on the basis of 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%.



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

Sensitivity analysis performed on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Real Estate SGR, i.e. the cost of capital and the rate of growth (g) used, leads to a potential change in the company's overall value of EUR -3.2/+3.6 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)). The extent of these changes corroborates the positive outcome of the above-mentioned impairment test.

## 1b - 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	7,580	(6,294)	1,286	6,769	(5,295)	1,474
Software expenses	154	(152)	2	127	(110)	17
Development expenses	229	(229)	0	114	(114)	0
Other intangible assets	108,894	(89,159)	19,735	129,582	(88,161)	41,421
<b>Total</b>	<b>116,857</b>	<b>(95,834)</b>	<b>21,023</b>	<b>136,592</b>	<b>(93,680)</b>	<b>42,912</b>

(EUR thousand)	Balance at 1.1.2019	Acquisitions	Amort.	Write-downs	Decreases	Changes in consolidation area	Balance at 31.12.2019
Concessions, licences and trademarks	1,286	762	(574)	0	0	0	1,474
Software expenses	2	18	(3)	0	0	0	17
Development expenses	0	0	0	0	0	0	0
Other intangible assets	19,735	22,320	(634)	0	0	0	41,421
<b>Total</b>	<b>21,023</b>	<b>23,100</b>	<b>(1,211)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42,912</b>

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).

The increases to the item "Concessions, licences and trademarks" refer to purchases of software licenses.

The balance at 31 December 2019 of the item Other Intangible Assets mainly refers to:

- EUR 22,320 thousand for the registration of the above-mentioned contractual rights in relation to the acquisition of a relative majority stake in Quaestio Holding;

- EUR 19,100 thousand (unchanged from 31 December 2018) for intangible assets associated with variable fees arising from the allocation of the residual value of FIMIT SGR on the date of the (reverse) merger into FARE SGR (now DeA Capital Real Estate SGR). This value is based on the discounting of variable management fees and variable fees calculated net of directly applicable costs on the basis of the most recent business plans of the funds under management.

The impairment test of these intangible assets from variable fees, which had a carrying amount of EUR 19,100 thousand, was carried out, determining the value in use as the current value of the flows of variable fees expected from the company's managed funds (using DCF, or discounted cash flow methodology) with reference to the period within which they were expected to materialise (2020-2021).

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

The valuation, based on a cost of capital between +8.5% and +12.5%, confirmed that the recoverable value of these intangible assets is higher than the related carrying amount.

A sensitivity analysis conducted on the most significant variables in terms of sensitivity to the recoverable value of DeA Capital Real Estate SGR's intangible assets from variable fees, i.e., the cost of capital, leads to potential changes in the carrying amount of EUR -0.3/+0.3 million (for changes of +0.5% and -0.5% of the cost of capital respectively). The extent of these changes corroborates the positive outcome of the above-mentioned impairment test.

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

Finally, with reference to the 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.

### 1c - Tangible assets

Changes in tangible 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
Building in Leasing	15,681	0	15,681	16,111	(2,691)	13,420
Other leased assets	389	0	389	495	(177)	318
Leasehold improvements	3,540	(3,090)	450	3,679	(3,560)	119
Furniture and fixtures	1,712	(1,522)	190	1,793	(1,628)	165
Computer and office equipment	1,169	(976)	193	1,296	(1,076)	220
Plant	10	(10)	0	10	(10)	0
Other assets	313	(292)	21	352	(297)	55
<b>Total</b>	<b>22,814</b>	<b>(5,890)</b>	<b>16,924</b>	<b>23,736</b>	<b>(9,439)</b>	<b>14,297</b>

(EUR thousand)	Balance at 1.1.2019	Acquisitions	Depr.	Reclassif.	Decreases	Change in consolidation area	Balance at 31.12.2019
Building in Leasing	15,681	430	(2,691)	0	0	0	13,420
Other leased assets	389	106	(177)	0	0	0	318
Leasehold improvements	450	138	(469)	0	0	0	119
Furniture and fixtures	190	81	(106)	0	0	0	165
Computer and office equipment	193	144	(119)	0	2	0	220
Plant	0	0	0	0	0	0	0
Other assets	21	39	(5)	0	0	0	55
<b>Total</b>	<b>16,924</b>	<b>938</b>	<b>(3,567)</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>14,297</b>

Tangible assets stood at EUR 14,297 thousand at 31 December 2019 (compared with EUR 854 thousand at 31 December 2018, or EUR 16,924 thousand taking into account the increase of EUR 16,070 thousand associated with the application, from 1 January 2019, of IFRS 16), after deducting amortisation and depreciation for the period of EUR -3,567 thousand.

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

- to properties, namely the Group companies registered offices and specifically the property at Via Brera 21 in Milan, which, since 2013, has been leased to the DeA Capital Group, and the office in Rome of DeA Capital Real Estate SGR;
- to leased vehicles.

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

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

The depreciation rates used in FY 2019 were 20% for specific plant assets, 12% for furniture and furnishings, 20% for electronic office machines, 20% for company vehicles and 15% for leasehold improvements.

## 2 - Financial investments

Financial investments in companies and funds constitute the Group's typical activities. These investments rose from EUR 248,943 thousand at 31 December 2018 to EUR 247,591 thousand at the end of 2019.

### **2a - Holdings in associates and Joint Ventures**

This item, which totalled EUR 30,802 thousand as at 31 December 2019 (EUR 20,892 thousand at 31 December 2018), refers to the share of shareholders' equity of the following assets:

- the holding in Quaestio Holding S.A., recorded in the consolidated financial statements as at 31 December 2019 at EUR 14,299 thousand (zero value as at 31 December 2018, as it was acquired during 2019). 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;
- the holding in DeA Capital Real Estate Poland, recorded in the consolidated financial statements at 31 December 2019 at EUR 235 thousand (zero value at 31 December 2018, as it was acquired during 2019);
- units in the Venere fund are valued at EUR 3,441 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2019 (EUR 5,651 thousand as at 31 December 2018).

The change compared to 31 December 2018 is related to the pro-quota share of distributions net of capital calls totalling EUR -1,827 thousand, as well as the pro-rata share of the net profit for the period totalling EUR -383 thousand;

- the holding in YARD (formerly Innovation Real Estate - IRE) fund are valued at EUR 5,880 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2019 (EUR 5,937 thousand as at 31 December 2018).

The change compared with 31 December 2018 is mainly related to the pro-rata share of the dividend distributed totalling EUR -135 thousand, the pro-rata share of the net profit for the period totalling EUR -260 thousand, and the effect of the change in % ownership (from 45% to 43.56%, resulting from a capital increase that was not subscribed by the DeA Capital Group) totalling EUR +333 thousand;

- the units in the EESS fund are valued at EUR 6,948 thousand in the Consolidated Financial Statements for the Year Ending 31 December 2019 (EUR 9,304 thousand as at 31 December 2018).

The change compared to 31 December 2018 is related to the pro-rata share of distributions net of capital calls totalling EUR -2,587 thousand, as well as the pro-rata share of the net profit for the period totalling EUR +231 thousand.

The table below provides details of the holdings in associates at 31 December 2019 by area of activity:

(Eur million)	Alternative Investments	Alternative Asset Management	Total
Quaestio Holding S.A.	0.0	14.3	14.3
DeA Capital Real Estate Poland	0.0	0.2	0.2
IDeA EESS fund	7.0	0.0	7.0
Venere fund	1.1	2.3	3.4
YARD group	0.0	5.9	5.9
<b>Total</b>	<b>8.1</b>	<b>22.7</b>	<b>30.8</b>

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

It is noted that details of DeA Capital Real Estate Poland's financial information are not provided here, given that the company is in the start-up phase since it was incorporated in December 2019 and therefore the amounts are considered to be insignificant for the DeA Capital Group.

	Quaestio Holding S.A.	YARD Group	IDeA EESS	Venere
(EUR thousand)	Financial Year 2019	First nine month of 2019	Financial Year 2019	Financial Year 2019
Revenues	5,112	(23,935)	0	(1,217)
Net profit/(loss) for the period	(618)	(577)	760	(1,406)
Other profit/(loss), net of tax effect	34	0	0	0
<b>Total comprehensive profit/(loss) for the period</b>	<b>(584)</b>	<b>(577)</b>	<b>760</b>	<b>(1,406)</b>
<b>Total comprehensive profit/(loss) for the period attributable to minorities</b>	<b>(357)</b>	<b>(317)</b>	<b>529</b>	<b>(1,023)</b>
<b>Total comprehensive profit/(loss) for the period attributable to Group</b>	<b>(227)</b>	<b>(260)</b>	<b>231</b>	<b>(383)</b>

(EUR thousand)	31.12.2019	30.9.2019	31.12.2019	31.12.2019
Current assets	32,067	26,092	12,457	4,205
Non-current assets	9,141	11,712	10,466	9,017
Current liabilities	(23,136)	(19,477)	(68)	(605)
Non-current liabilities	(311)	(7,659)	0	0
<b>Net assets</b>	<b>17,761</b>	<b>10,668</b>	<b>22,855</b>	<b>12,617</b>
<b>Net assets attributable to minorities</b>	<b>10,866</b>	<b>6,021</b>	<b>15,907</b>	<b>9,176</b>
<b>Net assets attributable to the Group</b>	<b>6,895</b>	<b>4,647</b>	<b>6,948</b>	<b>3,441</b>

(EUR thousand)	31.12.2019	30.9.2019	31.12.2019	31.12.2019
Net initial assets attributable to the Group	7,122	4,709	9,304	5,651
Total comprehensive profit/(loss) for the period attributable to the Group	(227)	(260)	231	(383)
Capital calls / (Distributions)	0	0	(2,587)	(1,827)
Dividends received during the period	0	(135)	0	0
Other		333	0	
<i>Net final assets attributable to minorities</i>	6,895	4,647	6,948	3,441
Goodwill	7,404	1,384	0	0
Reversal of 45% of the capital gain realized by DeA Capital Partecipazioni for the sale of SPC to Yard (unrealized gain for the Group)	0	(156)	0	0
<b>Dilution effect on reversal of 45% of the capital gain realized by DeA Capital Partecipazioni for the sale of SPC to Yard (unrealized gain for the Group)</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>
<b>Book value of associate company</b>	<b>14,299</b>	<b>5,880</b>	<b>6,948</b>	<b>3,441</b>
<b>Dividends paid to minorities during the period</b>	<b>0</b>	<b>(165)</b>	<b>0</b>	<b>0</b>

## 2b - Investments held by funds measured at fair value through P&L

At 31 December 2019, the DeA Capital Group holds, through the IDeA OF I fund, minority interests in Iacobucci HF Electronics and Pegaso Transportation Investments (Talgo).

This item, which totalled EUR 22,773 thousand at 31 December 2019 (EUR 23,511 thousand at 31 December 2018), relates to the assets below.

(Eur million)	31.12.2019	31.12.2018
<b>Participations in Portfolio</b>		
Iacobucci HF Electronics	3.0	6.0
Pegaso Transportation Investments (Talgo)	19.8	17.5
<b>Investments at Fair Value through P&amp;L</b>	<b>22.8</b>	<b>23.5</b>
<b>Total Participations in Portfolio</b>	<b>22.8</b>	<b>23.5</b>

The change compared to 31 December 2018 is exclusively related to the fair value adjustment of the two holdings.

## 2c - Investments held in other companies measured at fair value through P&L

At 31 December 2019, the DeA Capital Group was a minority shareholder in Kenan Investments (with a holding in Migros), Cellularline, IDeA MI and ToI Due (with a holding in Alice Pizza), and other minor holdings.

At 31 December 2019, the item totalled EUR 50,382 thousand compared with EUR 50,953 thousand at 31 December 2018.

The table below provides a breakdown of shareholdings in other companies at 31 December 2019 by area of activity:

(Eur million)	Alternative Investment - Other investments	Alternative Investment - Platform Investments	Total
Kenan Investments	15.7	0.0	15.7
Cellularline	6.8	0.0	6.8
IDeA MI	22.4	0.0	22.4
ToI Due	0	5.0	5.0
Minority interests	0.5	0.0	0.5
<b>Total</b>	<b>45.4</b>	<b>5.0</b>	<b>50.4</b>

The holding in **Kenan Investments** (indirectly corresponding to approximately 2% of Migros' capital, i.e., 12% of Migros' capital via the Group's interest in Kenan Investments) is recorded in the Consolidated Financial Statements at 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 the result of:

- the placement through accelerated book building ("ABB") by Kenan Investments and the subsidiary Moonlight Capital of an 11% stake in Migros (DeA Capital share proceeds of EUR 11,207 thousand with a capital gain of EUR 3,173 thousand);
- a fair value adjustment (EUR +4,407 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).

The investment in **Cellularline** is recognised in the consolidated financial statements as at 31 December 2019 at EUR 6,789 thousand (EUR 7,514 thousand as at 31 December 2018), which reflects a change in fair value during the year of EUR -926 thousand and the purchase of shares in Cellularline against EUR 201 thousand.

The investment in **IDeaMI** is recognised in the consolidated financial statements as at 31 December 2019 at EUR 22,421 thousand (EUR 23,820 thousand as at 31 December 2018), which reflects a change in fair value during the year of EUR -1,399 thousand.

On 26 November 2019, the Board of Directors of **IDeaMI** met and noted that, for reasons largely due to unfavourable conditions in the primary market, no further opportunities were identified to create a business combination capable of creating value for shareholders despite the efforts of the company's management to identify a possible target company with which to carry out the Significant Transaction. In view of the above, the company has been placed under liquidation.

The investment (14.3%) in **TOI Due**, which in turn holds a majority stake (70%) of the Alice Pizza group, is recorded in the consolidated financial statements as at 31 December 2019 at EUR 5,000 thousand (value was nil as at 31 December 2018 as the acquisition was finalised in FY 2019).

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

The item Funds measured at fair value through P&L refers essentially to investments in units of 3 funds of funds (IDeA I FoF, ICF II and ICF III with 3 sub-funds), 2 theme funds (IDeA ToI and IDeA Agro), 2 NPE funds (IDeA CCR I and IDeA CCR II), 5 venture capital funds and 10 real estate funds, totalling EUR 143,597 thousand at 31 December 2019 compared with EUR 153,551 thousand at the end of 2018.

The table below shows changes to the funds during 2019.

(EUR thousand)	Balance at 1.1.2019	Decreases (Capital distribution/ Disposals)	Increases (Capital call/ Purchase)	Fair value adjustment	Translation effect	Balance at 31.12.2019
Venture capital funds	8,970	(1,795)	0	(869)	205	6,511
IDeA I FoF	33,129	(5,594)	491	(2,868)	0	25,158
ICF II	31,305	(3,568)	300	1,752	0	29,789
ICF III	10,393	0	1,060	866	0	12,319
IDeA ToI	11,878	(3,136)	7,142	620	0	16,504
IDeA CCR I	925	(10)	78	(37)	0	956
IDeA CCR II	1,611	(8)	1,745	(70)	0	3,278
IDeA Agro	16	(27)	730	(22)	0	697
Santa Palomba	441	(248)	331	(14)	0	510
DeA Capital Real Estate SGR funds	54,654	(9,247)	0	2,241	0	47,647
DeA Capital Alternative Funds SGR funds	229	(15)	13	0	0	228
<b>Total funds</b>	<b>153,551</b>	<b>(23,648)</b>	<b>11,890</b>	<b>1,599</b>	<b>205</b>	<b>143,597</b>

We note in particular:

- distributions made during 2019 by the IDeA I FoF and ICF II funds, which are being divested, totalling EUR 5,594 thousand and EUR 3,568 thousand respectively;
- distributions and capital calls made during 2019 by IDeA ToI of EUR 3,136 thousand and EUR 7,142 thousand respectively;
- distributions made by the real estate funds of DeA Capital Real Estate SGR totalling EUR 9,495 thousand.

The table below provides a breakdown of the funds in the portfolio at 31 December 2019 by area of activity:

(Eur million)	Alternative Investment - Other Investments	Alternative Investment - Platform Investments	Alternative Asset Management	Total
Venture capital funds	6.5	0.0	0.0	6.5
IDeA I FoF	0.0	25.2	0.0	25.2
ICF II	0.0	29.8	0.0	29.8
ICF III	0.0	12.3	0.0	12.3
IDeA ToI	0.0	16.5	0.0	16.5
IDeA CCR I	0.0	1.0	0.0	1.0
IDeA CCR II	0.0	3.3	0.0	3.3
IDeA Agro	0.0	0.7	0.0	0.7
Santa Palomba	0.0	0.5	0.0	0.5
DeA Capital Real Estate SGR funds	0.0	0.0	47.6	47.6
DeA Capital Alternative Funds SGR funds	0.0	0.0	0.2	0.2
<b>Total funds</b>	<b>6.5</b>	<b>89.3</b>	<b>47.8</b>	<b>143.6</b>

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

- mandatory investments (as stipulated by the Bank of Italy Regulation of 19 January 2015 and subsequent amendments) in managed funds that are not reserved for qualified investors. The latter are to be held in the portfolio until the funds' maturity date;
- optional investments in managed funds that may or may not be reserved for qualified investors.

### 3 - Other non-current assets

#### 3a - Deferred tax assets and deferred tax liabilities

The balance on the item "deferred tax assets" totalled EUR 2,409 thousand (EUR 2,183 thousand at 31 December 2018) and comprises the value of deferred tax assets minus deferred tax liabilities, where they may be offset.

At 31 December 2019, the balance of the deferred taxes totalled EUR -5,993 thousand compared with EUR -6,018 thousand at 31 December 2018.

This item includes deferred tax liabilities relating to DeA Capital Real Estate SGR of EUR -5,648 thousand (unchanged from 31 December 2018), consisting entirely of the offsetting entry for deferred taxation of intangible assets by variable commissions recognised as assets.

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

(EUR thousand)	Balance at 31.12.2018	Recognised in income statement	Recognised in equity	Compensation/ other movements	Balance at 31.12.2019
<i>Deferred tax assets for:</i>					
- personnel costs	828	181	26	0	1,035
- other	1,355	119	(100)	0	1,374
<b>Total deferred tax assets</b>	<b>2,183</b>	<b>300</b>	<b>(74)</b>	<b>0</b>	<b>2,409</b>
<i>Deferred tax liabilities for:</i>					
- available-for-sale financial assets / Other	(207)	0	(27)	0	(234)
- TFR discounting IAS	10	291	21	(291)	31
- intangible assets	(5,821)	31	0	0	(5,790)
<b>Total deferred tax liabilities</b>	<b>(6,018)</b>	<b>322</b>	<b>(6)</b>	<b>(291)</b>	<b>(5,993)</b>
<b>Total deferred tax assets</b>	<b>2,183</b>				<b>2,409</b>
<b>Total deferred tax liabilities</b>	<b>(6,018)</b>				<b>(5,993)</b>

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

### **3b - Loans and receivables**

This item totalled EUR 2,485 thousand at 31 December 2019 (compared with EUR 752 thousand at 31 December 2018). The increase for the period refers primarily to the loan of EUR 1,446 thousand granted to Paris R<sup>2</sup> (a vehicle that owns an office property located in Paris worth approximately EUR 49 million). The balance at 31 December 2019 also includes the loan to the associate YARD following the sale to the latter of a 100% interest in SPC by DeA Capital Partecipazioni (for EUR 500 thousand, unchanged compared with 31 December 2018) and financial receivables from employees (of EUR 539 thousand, compared with EUR 252 thousand at 31 December 2018).

### **3c - Receivables for the deferral of placement charges**

This item amounted to EUR 377 thousand at 31 December 2019 (EUR 482 thousand at 31 December 2018) and refers to the placement costs of the IDeA Taste of Italy fund, recorded because they are pertinent to the duration of the residual life of the fund; these costs will be gradually "released" in the Income Statement over the years until the anticipated maturity date of the IDeA Taste of Italy fund.

### **3d - Financial receivables for non-current leases**

This item, which stood at EUR 1,313 thousand at 31 December 2019 (EUR 1,588 thousand as at 1 January 2019), is entirely attributable to the restatement carried out in the light of the application of the new accounting standard *IFRS 16 from 1 January 2019*, and refers to the receivable due to DeA Capital S.p.A. from De Agostini Group companies for the use of spaces in the property at Via Brera 21 in Milan (recorded under "Leased buildings" in tangible assets, for the share pertaining to the DeA Capital Group).

### **3e - Other non-current assets**

This item, which totalled EUR 4,613 thousand at 31 December 2019 (compared with EUR 4,668 thousand at 31 December 2018), included EUR 3,700 thousand relating to the receivable from the IDeA OF I fund for the sale of 1% of Manutencoop (amount unchanged compared to 31 December 2018).



## 4 - Current assets

Current Assets stood at EUR 171,937 thousand at 31 December 2019 compared with EUR 185,446 thousand at 31 December 2018, or EUR 185,686 thousand taking into account the increase of EUR 240 thousand associated with the application of IFRS 16 from 1 January 2019.

This item mainly consists of:

### 4a - Trade receivables

At 31 December 2019, trade receivables totalled EUR 8,653 thousand, compared with EUR 14,678 thousand at 31 December 2018.

The balance mainly comprises receivables belonging to DeA Capital Real Estate SGR, of EUR 6,157 thousand (EUR 9,128 thousand at 31 December 2018); these are essentially receivables from managed funds for fees accrued but not yet received.

The table below shows the maturities of outstanding trade receivables of the DeA Capital Group at 31 December 2019::

(EUR thousand)	Not expired	expired				Total
		less than 90 days	Between 90 days and 180 days	Between 180 days and 360 days	More than 360 days	
<b>2019</b>	6,327	1,412	646	223	45	<b>8,653</b>
	73%	16%	7%	3%	1%	<b>100%</b>

For details of transactions with related parties, see the appropriate section of the report (Transactions with parent companies, subsidiaries and related parties).

### 4b - Financial assets measured at fair value

At 31 December 2019, the item Financial assets measured at Fair Value stood at EUR 14,192 thousand compared with EUR 6,316 thousand at 31 December 2018 and refers to:

- the portfolio of government bonds and corporate bonds, held by DeA Capital Alternative Funds SGR totalling EUR 6,131 thousand (EUR 6,316 thousand as at 31 December 2018);
- the portfolio of CCT, held by DeA Capital Real Estate SGR, as an investment on behalf of the regulatory capital for EUR 8,061 thousand (zero as at 31 December 2018, as the investment was made in 2019).

### 4c - Financial receivables

The balance of this item at 31 December 2019 is zero.

The balance at 31 December 2018 of EUR 500 thousand refers to the short-term portion of the receivable from the associate YARD following the sale to the latter of a 100% interest in SPC by DeA Capital Partecipazioni. It is noted that the receivable was fully collected in January 2019.

### 4d - Financial receivables for current leases

This item, which stood at EUR 245 thousand as at 31 December 2019, (EUR 240 thousand as at 1<sup>st</sup> January 2019), is entirely attributable to the restatement carried out in the light of the application of the new accounting standard IFRS 16 from 1 January 2019, and refers to the receivable due to DeA Capital S.p.A. from De Agostini Group companies for the use of spaces in the property at Via Brera 21 in Milan, recorded under "Leased buildings" in tangible assets, for the share pertaining to the DeA Capital Group.

### 4e - Tax receivables relating to the tax consolidation scheme entered into by the parent companies

This item totalled EUR 3,953 thousand as at 31 December 2019 (EUR 374 thousand at 31 December 2018) and relates to the receivable from the Parent Company De Agostini S.p.A. for the participation of DeA Capital S.p.A., DeA Capital Alternative Funds SGR and DeA Capital Partecipazioni S.p.A. in the tax consolidation scheme.

DeA Capital S.p.A., DeA Capital Partecipazioni, DeA Capital Alternative Funds SGR and DeA Capital Real Estate SGR have adopted the national tax consolidation scheme of the De Agostini Group (the Group headed by De Agostini S.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 is irrevocable for DeA Capital S.p.A. for the three-year period 2017-2019, for DeA Capital Partecipazioni for the three-year period 2019-2021, for DeA Capital Alternative Funds SGR for the three-year period 2018-2020 and for DeA Capital Real Estate SGR for the three-year period 2019-2021.

#### **4f - Other tax receivables**

At 31 December 2019, this item totalled EUR 37,176 thousand, compared with EUR 15,760 thousand at 31 December 2018. It mainly includes:

- the DeA Capital Real Estate SGR's VAT credit of EUR 33,443 thousand (EUR 10,920 thousand at 31 December 2018), comprising the positive balance resulting from the sale of the debt and monthly VAT credit of the managed funds;
- the withholding tax credit of DeA Capital S.p.A. of EUR 2,398 thousand (EUR 3,092 thousand at 31 December 2018), mainly relating to capital gains from the distribution of the Funds of Funds (IDeA I FOF and IDeA ICF II);
- the IRAP receivable of DeA Capital Alternative Funds SGR of EUR 660 thousand (EUR 466 thousand at 31 December 2018), which refers to advance payments made during the year.

#### **4g - Other receivables**

This item, EUR 8,207 thousand at 31 December 2019 compared with EUR 4,051 thousand at 31 December 2018, mainly includes receivables relating to the management of VAT positions with regard to the funds managed by DeA Capital Real Estate SGR, as well as credits for guarantee deposits, advances to suppliers, accrued income and other receivables.

The other receivables fall due within the next year.

#### **4h - Cash and cash equivalents**

This item comprises bank deposits and cash including interest accrued at 31 December 2019. As at 31 December 2019, the item totalled EUR 99,511 thousand compared with EUR 143,767 thousand as at 31 December 2018.

Please see the Consolidated Cash Flow Statement for further information on changes to this item.

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

### **5 - Shareholders' equity**

At 31 December 2019, Group shareholders' equity was EUR 457,464 thousand, compared with EUR 466,481 thousand at 31 December 2018.

The negative change in the Group's Shareholders' Equity in 2019 - equal to EUR -9,017 thousand compared to 31 December 2018 - is mainly attributable:

- to the extraordinary dividend distributed by DeA Capital S.p.A. (EUR -31,197 thousand);
- to the effect of the use of treasury shares as consideration for the acquisition of 100% of DeA Capital Real Estate SGR (EUR +8,046 thousand);
- to the result for the period shown in the Statement of Performance - IAS 1 (EUR +12,495 thousand).

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

#### **5a - Share capital**

The 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 transaction led to the reduction of the share capital from EUR 306,612,100 to EUR 266,612,100 and to the consequent amendment of Article 5 of the Articles of Association.

The share capital, fully subscribed and paid in, is therefore equal to EUR 266,612,100, consisting 266,612,100 shares with a nominal value of Euro 1 each (of which 6,636,485 treasury shares in portfolio at 31 December 2019, whose nominal value together with the related share premium is deducted from shareholders' equity in the Treasury Shares Reserve).

### **5b - Share premium reserve**

This item totalled EUR 186,882 thousand at 31 December 2019, compared with EUR 240,859 thousand at 31 December 2018. The change of EUR -53,977 thousand is attributable to:

- the use for payment of dividends (for EUR -31,197 thousand);
- the cancellation of the share premium component relating to cancelled treasury shares (for EUR -22,780 thousand).

### **5c - Legal reserve**

This reserve, which was unchanged compared with 31 December 2018, totalled EUR 61,322 thousand as at 31 December 2019.

### **5d - Treasury Shares Reserve**

This item totalled EUR -10,415 thousand at 31 December 2019, compared with EUR -82,766 thousand at 31 December 2018. The change of EUR 72,351 thousand is attributable to:

- the purchase of 40,000,000 treasury shares in the amount of EUR +62,780 thousand;
- the use of treasury shares as consideration for the acquisition of 100% of DeA Capital Real Estate SGR (EUR +8,046 thousand);
- the exercise of stock options and performance shares receivable by the Company's management (EUR 1,525 thousand).

### **5e - Other reserves**

Other reserves totalled EUR -17,930 thousand at 31 December 2019 (EUR -18,555 thousand at 31 December 2018) and are made up of:

- the reserve for stock option costs totalling EUR +2,811 thousand (EUR +2,219 thousand at 31 December 2018);
- the reserve for the sale of option rights, unchanged from 31 December 2018, totalling EUR +413 thousand. This originated from the sale of the remaining option rights to subscribe to a capital increase that had not been exercised by the shareholders, and were sold by the Company;
- other reserves that are negative at EUR -9,247 thousand, unchanged compared to 31 December 2018, relating to the Santé investment that was disposed of in 2014, chiefly for the pro-rata reclassification of the minority interests in Santé connected with the 2008-2009 extraordinary dividend distribution by Générale de Santé, and changes in 2010-2012;
- the reserve related to share issuing costs of EUR -7,512 thousand (EUR -7,828 thousand at 31 December 2018);
- other reserves of EUR -4,395 thousand (31 December 2018: EUR -4,112 thousand).

### **5f - Retained earnings (losses) carried forward**

This item totalled EUR -41,665 thousand at 31 December 2019, compared with EUR -51,882 thousand at 31 December 2018.

The overall increase of EUR +10,217 thousand refers to the allocation of profits for 2018 (EUR +11,070 thousand).

### **5g - Profit (loss) for the year**

The profit for the year of EUR +12,256 thousand is the consolidated result attributable to the Group for FY 2019 (EUR +11,070 thousand in FY 2018).

### **5h - Minority interests**

This item, which totalled EUR 23,634 thousand at 31 December 2019 (EUR 39,299 thousand at 31 December 2018) relates to the minority interest in shareholders' equity resulting from the line-by-line consolidation of DeA Capital Real Estate SGR and the IDeA OF I fund.

The decrease, totalling EUR -15,665 thousand compared with the balance at 31 December 2018, mainly refers to:

- the purchase by the DeA Capital Group of the units previously held by minorities in DeA Capital Real Estate SGR, totalling EUR -9,244 thousand;
- the distributions (excluding capital calls) of the IDeA OF I fund for EUR -1,148 thousand;
- the events recorded in the Statement of Performance, totalling EUR -1,200 thousand;
- dividends paid out by DeA Capital Real Estate SGR, totalling EUR -5,188 thousand.

The table below provides details, in summary form, of the financial information of IDeA OF I, before elimination of the intercompany relationships with the Group's other companies, at 31 December 2019:

	<b>IDeA OF I</b>
	<b>Financial Year 2019</b>
(EUR thousand)	
Management fees form Alternative Asset Managements	(738)
Net profit/(loss) for the period	(719)
<b>of which attributable to minorities</b>	<b>(381)</b>
Other profit/(loss), net of tax effect	0
<b>Total comprehensive profit/(loss) for the period</b>	<b>(719)</b>
<b>Total comprehensive profit/(loss) for the period attributable to minorities</b>	<b>(381)</b>
(EUR thousand)	<b>31.12.2019</b>
Current assets	2,972
Non-current assets	26,472
Current liabilities	(12)
Non-current liabilities	0
<b>Net assets</b>	<b>29,432</b>
<b>Net assets attributable to minorities</b>	<b>15,602</b>
(EUR thousand)	<b>31.12.2019</b>
<i>Cash flow from operation activities</i>	(532)
<i>Cash flow from investment activities</i>	0
<i>Cash flow from financial activities</i>	(1,148)
<b>NET INCREASES IN CASH AND CASH EQUIVALENTS</b>	<b>(1,680)</b>
<b>Dividends paid to minorities during the period</b>	<b>(1,148)</b>

## 6 - Non-current liabilities

Non-current liabilities stood at EUR 26,463 thousand at 31 December 2019, compared with EUR 14,414 thousand at 31 December 2018, or EUR 29,464 thousand taking into account the increase of EUR 15,050 thousand associated with the application of IFRS 16 from 1 January 2019.

This item mainly consists of:

### 6a - Payables to suppliers

At 31 December 2019 this item totalled EUR 800 thousand (EUR 900 thousand at 31 December 2018) and refers to the long-term payable for brokers' fees associated with the launch of the Agro Fund.

### 6b - Deferred tax liabilities

At 31 December 2019, the item totalled EUR 5,993 thousand (EUR 6,018 thousand at 31 December 2018).

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

### 6c - Employee Severance Indemnity and other personnel-related funds

This item totalled EUR 5,582 thousand at 31 December 2019 (EUR 4,637 thousand at 31 December 2018) and mainly refers to the Employee Severance Indemnity (EUR 5,556 thousand at 31 December 2019 compared to EUR 4,637 thousand at 31 December 2018).

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

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

Changes in TFR in 2019 are shown in the table below:

(EUR thousand)	Balance at 1.1.2019	Accrued portion	Payments	Balance at 31.12.2019
<b>Movement in provision</b>	<b>4,637</b>	<b>1,343</b>	<b>(424)</b>	<b>5,556</b>

The amounts recognised in the item were calculated as follows:

(EUR thousand)	31.12.2019	31.12.2018
Nominal value of provision	4,480	4,137
Discounting effect	1,076	500
<b>Total provision</b>	<b>5,556</b>	<b>4,637</b>

#### **6d - Payables in respect of staff and social security organisations**

The item of EUR 631 thousand at 31 December 2019 (zero at 31 December 2018) refers to the long-term incentive plan for certain employees of DeA Capital Alternative Funds.

#### **6e - Financial liabilities**

This item stood at EUR 13,457 thousand at 31 December 2019 (compared with EUR 2,859 thousand at 31 December 2018, or EUR 17,909 thousand taking into account the increase of EUR 15,050 thousand associated with the application of IFRS 16 from 1 January 2019).

The item at 31 December 2019 refers:

- the financial payable of EUR 12,437 thousand (EUR 15,050 thousand at 1 January 2019), recorded following the application of IFRS 16 from 1 January 2019, related to the lease agreements for vehicles in use, as well as the leasing of the Group company offices (specifically the property at Via Brera 21 in Milan and the Rome office of DeA Capital Real Estate SGR);
- to EUR 849 thousand relating to the variable price component (earn-out) relating to the purchase by the DeA Capital Group of the units previously held by INPS and the Carispezia Foundation in DeA Capital Real Estate SGR, down by the amount as at 31 December 2018 (EUR 2,859 thousand) due to the update of the fair value of this liability, with a balancing entry recognised in the income statement under financial income;
- to EUR 170 thousand for the variable price component (earn-out) relating to the purchase by the DeA Capital Group of the units previously held by Fondazione Carispezia in DeA Capital Real Estate SGR (zero at 31 December 2018).

## 7 - Current liabilities

Current liabilities stood at EUR 85,020 thousand at 31 December 2019 (compared with EUR 37,902 thousand at 31 December 2018, or EUR 40,720 thousand taking into account the increase of EUR 2,818 thousand associated with the application of IFRS 16 from 1 January 2019).

This item mainly consists of:

### **7a - Trade payables**

Payables to suppliers stood at EUR 5,470 thousand at 31 December 2019 compared with EUR 5,535 thousand at 31 December 2018.

For details of transactions with related parties, see the appropriate section of the report (Transactions with parent companies, subsidiaries and related parties).

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

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

Payables in respect to staff and social security organisations stood at EUR 11,836 thousand at 31 December 2019 compared with EUR 9,122 thousand at 31 December 2018. They refer to:

- payables to social security organisations of EUR 1,629 thousand (EUR 1,408 thousand at 31 December 2018), paid after the close of FY 2019, with the exception of payables for social security liabilities calculated on accrued bonuses;
- payables to employees and directors of EUR 9,612 thousand (EUR 7,199 thousand at 31 December 2018) for holidays not taken and accrued bonuses;
- payables related to social security charges on wages and holidays for EUR 595 thousand (EUR 515 thousand at 31 December 2018).

### **7c - Current tax payables**

Current tax payables stood at EUR 4,336 thousand at 31 December 2019 compared with EUR 5,846 thousand at 31 December 2018. They refer to:

- the payable to the Parent Company De Agostini S.p.A. for the participation of DeA Capital Alternative Funds SGR (EUR 1,844 thousand at 31 December 2019 compared to EUR 2,365 thousand at 31 December 2018) and DeA Capital Real Estate SGR (EUR 1,394 thousand at 31 December 2019 compared to zero at 31 December 2018) in the tax consolidation scheme. The balance at 31 December 2018 also included the payable of DeA Capital S.p.A. of EUR 1,132 thousand (zero at 31 December 2019);
- tax payables for current taxes totalling EUR 1,098 thousand (EUR 2,349 thousand at 31 December 2018), not included in the scope of the Tax Consolidation.

### **7d - Other tax payables**

Other tax payables as at 31 December 2019 stood at EUR 1,491 thousand (EUR 1,256 thousand at 31 December 2018) and relate mainly to payables to the tax authorities for withholdings on income from employees and self-employed workers paid on time after the end of the FY 2019, totalling EUR 1,157 thousand (EUR 1,161 thousand as at 31 December 2018).

### **7e - Other payables**

At 31 December 2019 other payables totalled EUR 42,299 thousand (EUR 15,939 thousand at 31 December 2018), and included an amount of EUR 42,134 thousand (EUR 15,883 thousand at 31 December 2018) due to DeA Capital Real Estate SGR, and in particular payables relating to the management of VAT positions totalling EUR 41,621 thousand (EUR 12,738 thousand at 31 December 2018) due to the funds managed by DeA Capital Real Estate SGR.

### **7f - Short-term financial payables**

This item stood at EUR 19,567 thousand at 31 December 2019 (compared with EUR 204 thousand at 31 December 2018, or EUR 3,022 thousand taking into account the increase of EUR 2,818 thousand associated with the application of IFRS 16 from 1 January 2019).

The item at 31 December 2019 refers:

- the financial payable of EUR 3,045 thousand (EUR 2,818 thousand at 1 January 2019), recorded following the application of IFRS 16 from 1 January 2019, related to the lease agreements for vehicles in use, as well as the leasing of the Group company offices (specifically the property at Via Brera 21 in Milan and the Rome office of DeA Capital Real Estate SGR);
- to EUR 16,510 thousand for the financial debt linked to a price adjustment in the context of the acquisition of the relative majority stake in Quaestio Holding S.A. (as further detailed in the section on intangible assets 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.

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

On 14 November 2016, the Milan Provincial Tax Court approved the appeals regarding the alleged under-reporting of revenues for the years 2009/2010 in full and the appeal regarding the spin-off costs in part.

On 14 June 2017, the Tax Authority - Provincial Division of Milan filed an appeal with the Regional Tax Court of Lombardy against the first instance ruling on the dispute in question, resubmitting all the findings initially formulated. On 23 February 2018, a hearing was held to discuss the dispute in question 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.

# Income statement

## 8 - Alternative asset management fees

Alternative asset management fees in 2019 were EUR 66,117 thousand compared with EUR 62,422 thousand in 2018. They refer to:

- a) set-up/subscription fees of a fund:** the fees received as remuneration for work done in creating a fund;
- b) management fees:** the fees that the company receives as remuneration for the management of a fund. These fees mainly relate to management fees paid to DeA Capital Real Estate SGR and DeA Capital Alternative Funds SGR for the funds they manage;
- c) performance fees:** these are the fees received upon achievement of certain performance parameters by the managed funds.

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

(Eur million)	Financial Year 2019	Financial Year 2018
DeA Capital Real Estate SGR	40.4	39.8
DeA Capital Alternative Funds SGR *	24.2	22.6
DeA Capital Real Estate France S.A.S.	1.5	0.0
DeA Capital Real Estate Iberia S.L.	0.1	0.0
<b>Total management fees from Alternative Asset Management</b>	<b>66.1</b>	<b>62.4</b>

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

## 9 - Income from investments valued at Equity

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

The item, which was EUR -647 thousand in 2019, compared with EUR -59 thousand in the first half of 2018, is essentially attributable to the pro-rata portion of the profits/losses relating to the holdings in:

- Venere (EUR -383 thousand in 2019, compared with EUR +97 thousand in 2018).
- IDeA EESS (EUR +231 thousand in 2019, compared with EUR -808 thousand in 2018).
- YARD (formerly Innovation Real Estate - IRE) (EUR -255 thousand in 2019, compared with EUR +653 thousand in 2018).
- Quaestio Holding S.A. (EUR -240 thousand compared to a zero value in 2018, having been purchased during 2019).

## 10 - Other investment income and expenses

Other net income and expenses from investments (in holdings and funds) of EUR 6,832 thousand, compared with EUR 37,848 thousand in 2018.

This item mainly includes:

- the capital gain of EUR +3,173 thousand from accelerated book building ("ABB") of a Migros share;
- the revaluation of the investment in Kenan/Migros totalling EUR +4,407 thousand, attributable to the decrease in fair value, due to the combined effect of the fall in the price per share (TRY 24.22 per share as 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 as at 31 December 2018).



In 2018 this item mainly contained:

- the capital gain on the sale of IdeA OF I closed in July 2018, the investment in Corin Orthopaedics Holding Limited totalling EUR 51,362 thousand;
- the write-down of the investment in Kenan/Migros totalling EUR -25,166 thousand, attributable to the decrease in fair value, due to the combined effect of the fall in the price per share (TRY 14.90 per share as at 31 December 2018, versus TRY 27.56 per share as at 31 December 2017) and the devaluation of the Turkish lira against the Euro (6.06 TRY/EUR as at 31 December 2018, versus 4.55 TRY/EUR at 31 December 2017).

A breakdown of other investment income and expenses in FY 2019 and a comparison to FY 2018 is provided below::

(EUR thousand)	Financial Year 2019	Financial Year 2018
<b>Valuation expenses and income</b>		
<b>Change in the fair value of funds of which:</b>	<b>1,599</b>	<b>6,321</b>
<i>Venture capital funds</i>	(869)	2,757
<i>Private Equity funds</i>	227	7,981
<i>Real Estate funds</i>	2,241	(4,417)
<b>Change in the fair value of investments held by funds</b>	<b>(738)</b>	<b>3,411</b>
- <i>Iacobucci HF Electronics</i>	(3,000)	0
- <i>Pegaso Transportation Investments (Talgo)</i>	2,262	3,411
<b>Change in the fair value of other investments of which:</b>	<b>2,094</b>	<b>(27,770)</b>
- <i>Kenan Investments</i>	4,407	(25,166)
- <i>IDeaMI</i>	(1,400)	(1,159)
- <i>Cellularline</i>	(926)	(1,445)
- <i>Other</i>	13	
<b>Other income and charges</b>	<b>3,877</b>	<b>55,886</b>
- <i>Gain from ABB Migros</i>	3,173	0
- <i>Gain from the sale of Harvip</i>	416	0
- <i>Gain from the sale of Corin</i>	0	51,362
- <i>Gain from the sale of SPC</i>	0	191
- <i>Gain from the sale of Giochi Preziosi convertible bond loan</i>	0	4,317
- <i>Other</i>	288	16
<b>Total</b>	<b>6,832</b>	<b>37,848</b>

### **Fair value adjustments**

The fair value measurement of investments in funds and holdings at 31 December 2019, and also at 31 December 2018, is based on information and documents received from the funds and holdings, and other available information.

## **11 - Service revenues**

Revenues from service activities amounted to EUR 378 thousand in FY 2019, compared to EUR 2,505 thousand in FY 2018.

It is noted that in 2018 this item included, inter alia, revenues (EUR 1,823 thousand) from non-performing loan servicing services provided by SPC, which was sold to the Yard Group at the end of 2018.

## **12 - Other revenues and income**

Other revenues and income in FY 2019 were EUR 63 thousand compared with EUR 141 thousand in FY 2018.

## 13 - Operating costs

Operating costs in FY 2019 were EUR 59,475 thousand, compared with EUR 56,232 thousand in FY 2018.

### 13a - Personnel costs

A breakdown of staff costs in FY 2019 and a comparison in FY 2018 is provided below:

(EUR thousand)	Financial Year 2019	Financial Year 2018
Salaries and wages	21,103	18,529
Social security charges	5,804	5,348
Board of directors' fees	5,491	3,260
Performance shares cost	1,560	826
End-of-service payment fund	1,310	1,242
Other personnel costs	1,701	1,405
<b>Total</b>	<b>36,969</b>	<b>30,610</b>

The DeA Capital Group had 212 employees at 31 December 2019 (193 at 31 December 2018).

The table below shows the changes and average number of Group employees during 2019.

Position	1.1.2019	Recruits	Departures	Other changes	31.12.2019	Average
Senior Managers	36	7	(1)	0	42	39
Junior Managers	63	11	(4)	2	72	67
Staff	94	26	(20)	(2)	98	96
<b>Total</b>	<b>193</b>	<b>44</b>	<b>(25)</b>	<b>0</b>	<b>212</b>	<b>202</b>

### Share-based payments

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

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 [www.deacapital.com](http://www.deacapital.com) (in the section Corporate Governance/Incentive Plans).

### 13b - Service costs

A breakdown of for services costs in FY 2019 and a comparison in FY 2018 is provided below:

(EUR thousand)	Financial Year 2019	Financial Year 2018
Administrative, Tax Legal consultancy and other costs	6,527	6,672
Fees to corporate bodies	569	662
Ordinary maintenance	220	200
Travel expenses	772	790
Utilities and general expenses	1,042	1,033
Third-party rental, royalties and leasing	861	3,671
Bank charges	56	55
Books, stationery and conferences	231	228
Commission expenses	872	1,041
Other expenses	2,656	2,785
<b>Total</b>	<b>13,806</b>	<b>17,137</b>

### 13c - Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses in FY 2019 were EUR 4,778 thousand compared with EUR 3,909 thousand in FY 2018.

In 2019 this item includes depreciation and amortisation totalling EUR 2,868 thousand, relating to assets recognised in application of IFRS 16.

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

- to properties, namely the Group companies registered offices and specifically the property at Via Brera 21 in Milan, which, since 2013, has been leased to the DeA Capital Group, and the office in Rome of DeA Capital Real Estate SGR;
- to leased vehicles.

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

It is hereby reiterated that in 2018 it included EUR 1,500 thousand (zero value in FY 2019) for *intangible assets associated with variable fees* arising from the allocation of the residual value of FIMIT SGR on the date of the (reverse) merger into FARE SGR (now DeA Capital Real Estate SGR).

### 13d - Other costs

This item totalled EUR 3,922 thousand in FY 2019 (EUR 4,576 thousand in FY 2018) and mainly consisted of:

- non-deductible, pro rata VAT on costs of DeA Capital Real Estate SGR in FY 2018 totalling EUR -1,140 thousand (EUR -1,361 thousand in FY 2017):
  - write-down/losses on the receivables of DeA Capital Real Estate SGR totalling EUR -1,715 thousand (EUR -1,581 thousand in FY 2018);
  - provisions for risks and charges of DeA Capital Real Estate SGR of EUR -538 thousand (EUR -3 thousand in FY 2018).

We note that in 2018 this item included the write-down / loss on IDeA OPI I receivables of EUR -1,180 thousand (zero in FY 2019), relating to the transaction with Giochi Preziosi.

## 14 - Financial income and charges

### 14a - Financial income

Details of the financial income for FY 2019, and a comparison with FY 2018, are shown below:

(EUR thousand)	Financial Year 2019	Financial Year 2018
Interest incomes	566	486
Exchange gains	604	328
Other income	2,418	0
<b>Total</b>	<b>3,588</b>	<b>814</b>

The item Other income in FY 2019 includes the positive adjustment for the earn-out related to acquisitions up to 100% of DeA Capital Real Estate SGR.

### 14b - Financial charges

Details of financial expenses for FY 2019, and a comparison with FY 2018, are shown below:

(EUR thousand)	Financial Year 2019	Financial Year 2018
Interest expenses	373	69
Exchange losses	385	202
Financial charges IAS 19	39	58
<b>Total</b>	<b>797</b>	<b>329</b>

Note that in FY 2019, financial charges include interest expense on leases totalling EUR 359 thousand relating to the financial debt recognised under liabilities in application of IFRS 16.

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

The item, amounting to EUR -5,003 thousand for FY 2019 (EUR -5,765 thousand for FY 2018), includes current income taxes for the year of EUR -5,625 thousand (EUR -8,189 thousand for FY 2018) and net positive deferred taxes of EUR +622 thousand (EUR +2,424 thousand for FY 2018).

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

(EUR thousand)	Financial Year 2019	Financial Year 2018
<b>Current taxes:</b>		
- Income from tax consolidation scheme	1,953	278
- IRES	(5,547)	(6,715)
- IRAP	(2,031)	(1,744)
- Other tax	0	(8)
<b>Total current taxes</b>	<b>(5,625)</b>	<b>(8,189)</b>
<b>Deferred taxes for the period:</b>		
- Charges for deferred/prepaid taxes	187	6
- Income from deferred/prepaid taxes	435	2,418
<b>Total deferred taxes</b>	<b>622</b>	<b>2,424</b>
<b>Total income tax</b>	<b>(5,003)</b>	<b>(5,765)</b>

The table below shows a reconciliation of the tax charges recorded in the Consolidated Financial Statements and the theoretical tax charge for 2019 calculated using the corporate income tax (IRES) rate applicable in Italy.

(EUR thousand)	2019		2018	
	Amount	Rate	Amount	Rate
<b>Profit before tax</b>	<b>16,059</b>		<b>47,110</b>	
Tax on theoretical income	3,854	24.0%	11,306	24.0%
Tax on inter-company dividends	(136)	(0.8%)	(7)	(0.0%)
Intangible assets amortization	0	0.0%	360	0.8%
Effect of companies with different taxation from that of Italy	(1,403)	(8.7%)	12,872	27.3%
tax effect FTA IFRS9	0	0.0%	19,612	41.6%
Tax expenses previously not noticed	(94)	(0.6%)	(26,149)	(55.5%)
Net profit/(loss) from subsidiaries not subject to taxation	173	1.1%	(13,657)	(29.0%)
Net profit/(loss) from associates not subject to taxation	156	1.0%	14	0.0%
Non-deductible interest	15	0.1%	0	0.0%
Income from tax consolidation scheme	(210)	(1.3%)	(209)	(0.4%)
Other net differences	1,234	7.7%	2,295	4.9%
Net effect of prepaid/deferred taxes	(621)	(3.9%)	(2,424)	(5.1%)
IRAP and other taxes on foreign income	2,035	12.7%	1,752	3.7%
<b>Income tax reported in the income statement</b>	<b>5,003</b>	<b>31.2%</b>	<b>5,765</b>	<b>12.2%</b>

## 16 - Basic earnings (loss) per share

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

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

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

(EUR thousand)	Financial Year 2019	Financial Year 2018
Consolidated net profit/(loss) - Group share (A)	12,256	11,070
Weighted average number of ordinary shares outstanding (B)	258,890,621	253,893,495
<b>Basic earnings/(loss) per share (€ per share) (C=A/B)</b>	<b>0.047</b>	<b>0.044</b>
Restatement for dilutive effect	0	0
Consolidated net profit/(loss) restated for dilutive effect (D)	12,256	11,070
Weighted average number of shares to be issued for the exercise of stock options (E)	0	68,889
Total number of outstanding shares and to be issued (F)	258,890,621	253,962,385
<b>Diluted earnings/(loss) per share (€ per share) (G=D/F)</b>	<b>0.047</b>	<b>0.044</b>

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

### **Primary and secondary reporting formats**

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

- **Alternative Asset Management**, which includes asset management activities and related services, focused on the management of real estate, private equity and credit funds.
- **Alternative Investment**, which include:
  - investments in support of the Asset Management platform - Platform Investments - diversified in investments in Funds and Holdings;
  - other investments in Funds and Holdings.

## Summary Group Income Statement - performance by business in 2019

(EUR thousand)	Alternative Investment	Alternative Asset Management	Holdings/ Eliminations	Consolidated
Alternative Asset management fees	0	66,414	(297)	66,117
Income (loss) from equity investments	104	(751)	0	(647)
Other investment income/expense	4,568	2,264	0	6,832
Other revenues and income	0	53	388	441
Other expenses and charges	(374)	(50,225)	(8,876)	(59,475)
Financial income and expenses	598	(251)	2,444	2,791
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>4,896</b>	<b>17,504</b>	<b>(6,341)</b>	<b>16,059</b>
Income tax	0	(6,584)	1,581	(5,003)
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>4,896</b>	<b>10,920</b>	<b>(4,760)</b>	<b>11,056</b>
Profit (Loss) from discontinued operations/held-for-sale assets	0	0	0	0
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>4,896</b>	<b>10,920</b>	<b>(4,760)</b>	<b>11,056</b>
- Group share	5,277	11,739	(4,760)	12,256
- Non controlling interests	(381)	(819)	0	(1,200)

## Summary Group Income Statement - performance by business in 2018

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

## Notes to the Cash Flow Statement

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

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

In FY 2019, operating activities, as defined above, generated cash and cash equivalents of EUR +9,151 thousand (EUR +96,408 thousand in FY 2018).

Please see the Consolidated Cash Flow Statement for information on changes to this item.

We note in particular:

- net proceeds of EUR +11,207 thousand from the Migros accelerated book building («ABB»);
- the outlay of EUR -14,525 thousand for the purchase of the holding in Quaestio Holding;
- distributions of Real Estate Funds totalling EUR +9,495 thousand.

Please note that operating activities in 2018 included the net proceeds from the sale in July 2018 of the investment in Corin Ortopaedics Holding Limited totalling EUR 66.2 million.

In FY 2019, **investment activity** absorbed EUR -6,640 thousand (EUR -275 thousand in FY 2018) mainly due to the outlay for the price adjustment relating to the acquisition of Quaestio Holding.

In FY 2019, **financial activities** absorbed EUR -49,371 thousand (EUR -80,092 thousand in FY 2018). Please see the Consolidated Cash Flow Statement for information on changes to this item.

More specifically, in 2019, dividends/repayments totalled EUR -37,531 thousand (EUR -75,508 thousand in 2018), of which EUR -31,197 thousand to DeA Capital S.p.A. shareholders, EUR -5,188 thousand to minority shareholders of DeA Capital Real Estate (equity instruments) and EUR -1,148 thousand to minority shareholders of IDeA OF I (see Note 5h).

Cash and cash equivalents totalled EUR 99,511 thousand at the end of FY 2019, (compared with EUR 143,767 thousand at the end of FY 2018).

## Other information

### ***Treasury shares and Parent Company shares***

As already described in "Significant events during the year" in the Report on Operations, 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 stake 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:

- (iv) 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.;
- (v) the consignment of 5,174,172 treasury shares as consideration for the acquisition of the 5.97% residual of DeA Capital Real Estate SGR;
- (vi) 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..

### **Long-term incentive schemes**

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.

<b>Share plan</b>		<b>Plan 2019</b>			
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			

<b>Performance Share</b>	<b>Plan 2016</b>	<b>Plan 2017</b>	<b>Plan 2017</b>	<b>Plan 2018</b>	<b>Plan 2019</b>
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 2019, the Company did not carry out any atypical or unusual transactions with related parties, apart from those that are part of the normal business activities of group companies. It also did not carry out any “material transactions” as defined in the above-mentioned procedure.

Transactions with related parties during the first nine months of 2019 were concluded at arm’s length, taking into account the nature of the goods and/or services offered.

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

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

This agreement, which is tacitly renewed each year, is priced at market rates, and is intended to allow the Company to maintain a streamlined organisational structure in keeping with its development policy, while obtaining sufficient operational support.

At the same time, on 1 January 2013, DeA Capital S.p.A. signed an “Agreement to sub-let property for intended use other than residential use” with the controlling shareholder, 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 - which is renewable every six years after an initial term of seven years - is priced at market rates.

- 2) DeA Capital S.p.A., DeA Capital Partecipazioni, DeA Capital Alternative Funds SGR and DeA Capital Real Estate SGR have adopted the national tax consolidation scheme of the De Agostini Group (the Group headed by De Agostini S.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 is irrevocable for DeA Capital S.p.A. for the three-year period 2017-2019, for DeA Capital Partecipazioni for the three-year period 2019-2021, for DeA Capital Alternative Funds SGR for the three-year period 2018-2020 and for DeA Capital Real Estate SGR for the three-year period 2019-2021.

- 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 operates for VAT purposes only. Membership is binding for the three year period from 2020 to 2022.

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

(EUR thousand)	31.12.2019						Financial Year 2019				
	Trade receivables	Leasing Credits	Funding & Credits	Tax receivables	Tax payables	Trade payables	Income from services	Income Tax	Personnel costs (*)	Service costs	Interest on leasing
De Agostini S.p.A.	108	1,418	0	3,953	3,238	0	94	1,953	(45)	(620)	34
De Agostini Publishing Italia S.p.A.	0	0	0	0	0	0	0	0	0	(1)	0
Lottomatica S.p.A.	1	140	0	0	0	0	3	0	0	0	3
De Agostini Editore S.p.A.	0	0	0	0	0	168	0	0	0	(540)	0
De Agostini Scuola S.p.A.	0	0	0	0	0	0	0	0	(32)	(27)	0
Dea Planeta Libri S.r.l.	0	0	0	0	0	9	0	0	0	(9)	0
YARD Group	10	0	0	0	0	0	0	0	10	(66)	0
IdeaMi S.p.A	0	0	0	0	0	0	240	0	43	0	0
<b>Total related parties</b>	<b>119</b>	<b>1,558</b>	<b>0</b>	<b>3,953</b>	<b>3,238</b>	<b>177</b>	<b>337</b>	<b>1,953</b>	<b>(24)</b>	<b>(1,263)</b>	<b>37</b>
<b>Total financial statement line item</b>	<b>8,653</b>	<b>1,558</b>	<b>2,485</b>	<b>3,953</b>	<b>4,336</b>	<b>6,270</b>	<b>378</b>	<b>1,953</b>	<b>(36,969)</b>	<b>(13,806)</b>	<b>37</b>
<b>As % of financial statement line item</b>	<b>1.4%</b>	<b>100%</b>	<b>0.0%</b>	<b>100%</b>	<b>74.7%</b>	<b>2.8%</b>	<b>89.2%</b>	<b>100%</b>	<b>0.1%</b>	<b>9.1%</b>	<b>100%</b>

(\*) Amounts net of revenues from charging back personnel costs to 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 Pelliccioli	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
<b>Total</b>		<b>4,850,909</b>	<b>892,510</b>	<b>0</b>	<b>5,743,419</b>

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.

## 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	CEO	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

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

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

The risks set out below take into account the features of the market and the operations of the Parent Company DeA Capital S.p.A. and the consolidated Group companies, the main findings of a risk assessment carried out in 2019, as well as the periodic monitoring conducted partly through the regulatory policies adopted by the Group.

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

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

## A. Contextual risks

### A.1. Risks relating to general economic conditions

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

### A.2. Socio-political events

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

### A.3. Regulatory changes

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

### A.4. Performance of the financial markets

The Company's ability to meet its strategic and management objectives could depend on the performance of financial markets. A negative trend in financial markets could have an effect on 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, which cannot be directly controlled by the Group, are constantly monitored in order to identify appropriate response strategies that involve both the provision of guidance for the management of Group companies, and the investment and value enhancement strategy for the assets held.

### A.5. Exchange rates

Holding investments in currencies other than the Euro exposes the Group to changes in exchange rates between currencies. The investment in Kenan Investments is managed as a special case, since although it was made in Euros, the underlying asset (Migros holding) is expressed in Turkish lira.

### A.6. Interest rates

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

## B. Strategic risks

### B.1. Concentration of the Alternative Investment portfolio

The Alternative Investment strategy adopted by the Group includes:

- Direct investments;
- Indirect investments (via funds).

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

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

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

## **B.3. Key resources (Governance/Organisation)**

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

# **C. Operating risks**

## **C.1. Investment operations**

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

## **C.2. Compliance with covenants**

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



### **C.3. Divestment operations**

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

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

### **C.4. Funding risk**

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

## **Significant events after the reporting date for the 2019 Consolidated Financial Statements**

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.

## Certification of the Financial Statements pursuant to art. 154-*bis* of Legislative Decree 154-*bis* of Legislative Decree 58/98

The undersigned, Paolo Ceretti, as Chief Executive Officer, and Manolo Santilli, as the manager responsible for preparing the Company's accounts of DeA Capital S.p.A., hereby certify, pursuant to art. 154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, the adequacy in relation to the characteristics of the company of the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2019 Financial Year.

The assessment as to the suitability of the administrative and accounting procedures for preparing the Consolidated Financial Statements for the Year Ending 31 December 2019 was based on a process established by DeA Capital S.p.A. in keeping with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is the generally accepted reference framework at the international level.

Note that in this regard, as described in the Notes to the Financial Statements, a significant portion of the assets are investments stated at fair value. *Fair values* were determined by directors based on their best estimate and judgement using the knowledge and evidence available at the time the Financial Statements were prepared. However, due to objective difficulties in making assessments and the absence of a liquid market, the values assigned to such assets could differ, and in some cases significantly, from those that could be obtained when the assets are sold.

The undersigned further certify that the Consolidated Financial Statements at 31 December 2019:

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

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

10 March 2020

**Paolo Ceretti**  
**Chief Executive Officer**

**Manolo Santilli**  
**Manager responsible for preparing  
the Company's accounts**

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

The table below was prepared in accordance with art. 149-*duodecies* of the Consob Issuers' Regulations and reports the fees for FY 2019 for auditing and other services provided by the independent auditors and entities belonging to the independent auditors' network. The fees reported below do not include VAT and out-of-pocket expenses.

(EUR thousand)	Company providing the service	Beneficiary	Compensation FY 2019
<b>Audit</b>	PwC S.p.A.	DeA Capital S.p.A.	77
	PwC S.p.A.	DeA Capital Partecipazioni	10
	PwC S.p.A.	DeA Capital Alternative Funds SGR	14
	PwC S.p.A.	IDeA Opportunity Funds I	15
	PwC France	DeA Capital Real Estate France S.A.S.	31
	PwC Spain	DeACapital Real Estate Iberia, SL	25
<b>Other services</b>	PricewaterhouseCoopers Advisory SpA	DeA Capital S.p.A.	77
	PricewaterhouseCoopers Advisory SpA	DeA Capital Partecipazioni	60
	PricewaterhouseCoopers Advisory SpA	DeA Capital Alternative Funds SGR	65
<b>Total</b>			<b>374</b>





**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"
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible and tangible assets</b>				
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
<b>Investments</b>				
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
<b>Other non-current assets</b>				
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
<b>Total non-current assets</b>		<b>428,886,232</b>	<b>385,126,790</b>	<b>373,780,651</b>
<b>Current assets</b>				
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
<b>Total current assets</b>		<b>68,069,459</b>	<b>106,429,558</b>	<b>105,129,106</b>
<b>TOTAL ASSETS</b>		<b>496,955,691</b>	<b>491,556,348</b>	<b>478,909,757</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
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
<b>Shareholders' equity</b>		<b>466,229,806</b>	<b>475,073,768</b>	<b>475,073,768</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
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
<b>Total non-current liabilities</b>		<b>9,778,982</b>	<b>11,249,093</b>	<b>318,288</b>
<b>Current liabilities</b>				
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
<b>Total current liabilities</b>		<b>20,946,903</b>	<b>5,233,487</b>	<b>3,517,701</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>496,955,691</b>	<b>491,556,348</b>	<b>478,909,757</b>

(\*) 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)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>10,709,146</b>	<b>18,389,955</b>
Income tax	11a	1,742,313	(1,086,104)
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>12,451,459</b>	<b>17,303,851</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>12,451,459</b>	<b>17,303,851</b>
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
<b>Profit/(loss) for the year (A)</b>	<b>12,451,459</b>	<b>17,303,851</b>
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
<b>Total other Profit/(Loss), net of tax effect (B)</b>	<b>(27,527)</b>	<b>7,078</b>
<b>Total comprehensive Profit/(Loss) for the year (A)+(B)</b>	<b>12,423,932</b>	<b>17,310,929</b>



## Cash flow statement - Parent Company - Direct method

(EUR thousand)	Financial Year 2019	Financial Year 2018
<b>CASH FLOW from operating activities</b>		
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)
<b>Net cash flow from operations</b>	<b>(2,364)</b>	<b>44,131</b>
<b>CASH FLOW from investment activities</b>		
Acquisition of tangible assets	(24)	(8)
Acquisition of intangible assets	(5,811)	0
<b>Net cash flow from investments</b>	<b>(5,835)</b>	<b>(8)</b>
<b>CASH FLOW from financial activities</b>		
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)
<b>Net cash flow from financial activities</b>	<b>(31,375)</b>	<b>(33,635)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(39,574)</b>	<b>10,488</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>100,733</b>	<b>90,245</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>61,159</b>	<b>100,733</b>

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
<b>Total at 31.12.2017 "Post Reclassification"</b>	<b>306,612</b>	<b>271,309</b>	<b>61,322</b>	<b>(80,026)</b>	<b>61,274</b>	<b>(7,828)</b>
Reclassification for application of IFRS 9	0	0	0	0	(61,274)	0
<b>Total at 1.01.2018</b>	<b>306,612</b>	<b>271,309</b>	<b>61,322</b>	<b>(80,026)</b>	<b>0</b>	<b>(7,828)</b>
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
<b>Total comprehensive Profit/ (Loss) for 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total at 31.12.18</b>	<b>306,612</b>	<b>240,859</b>	<b>61,322</b>	<b>(82,766)</b>	<b>0</b>	<b>(7,828)</b>

(EUR thousand)	Share capital	Share premium reserve	Legal reserve	Reserve of own shares	Fair value reserves	Share issued costs reserve
<b>Total at 31.12.2018</b>	<b>306,612</b>	<b>240,859</b>	<b>61,322</b>	<b>(82,766)</b>	<b>0</b>	<b>(7,828)</b>
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
<b>Total comprehensive Profit/ (Loss) for 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total at 31.12.19</b>	<b>266,612</b>	<b>186,882</b>	<b>61,322</b>	<b>(10,415)</b>	<b>0</b>	<b>(7,512)</b>

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
<b>1,689</b>	<b>729</b>	<b>(831)</b>	<b>(33)</b>	<b>(87,043)</b>	<b>(36,601)</b>	<b>490,573</b>
0	0	0	0	61,274	0	0
<b>1,689</b>	<b>729</b>	<b>(831)</b>	<b>(33)</b>	<b>(25,769)</b>	<b>(36,601)</b>	<b>490,573</b>
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)
<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>17,304</b>	<b>17,311</b>
<b>2,219</b>	<b>729</b>	<b>(831)</b>	<b>(26)</b>	<b>(62,520)</b>	<b>17,304</b>	<b>475,074</b>

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
<b>2,219</b>	<b>729</b>	<b>(831)</b>	<b>(26)</b>	<b>(62,520)</b>	<b>17,304</b>	<b>475,074</b>
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
<b>0</b>	<b>0</b>	<b>0</b>	<b>(27)</b>	<b>0</b>	<b>12,451</b>	<b>12,424</b>
<b>2,811</b>	<b>413</b>	<b>(831)</b>	<b>(53)</b>	<b>(45,450)</b>	<b>12,451</b>	<b>466,230</b>





**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
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible and tangible assets</b>			
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
<b>Investments</b>			
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
<b>Other non-current assets</b>			
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
<b>Total non-current assets</b>	<b>373,780,651</b>	<b>11,346,139</b>	<b>385,126,790</b>
<b>Current assets</b>			
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
<b>Total current assets</b>	<b>105,129,106</b>	<b>1,300,452</b>	<b>106,429,558</b>

(EUR)	31.12.2018 "as reported"	Restatement for application IFRS 16	1.1.2019 with application of IFRS 16
<b>Total current assets</b>	<b>105,129,106</b>	<b>1,300,452</b>	<b>106,429,558</b>
<b>TOTAL ASSETS</b>	<b>478,909,757</b>	<b>12,646,591</b>	<b>491,556,348</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
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
<b>Shareholders' equity</b>	<b>475,073,768</b>	<b>0</b>	<b>475,073,768</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
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
<b>Total non-current liabilities</b>	<b>318,288</b>	<b>10,930,805</b>	<b>11,249,093</b>
<b>Current liabilities</b>			
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
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>478,909,757</b>	<b>12,646,591</b>	<b>491,556,348</b>



## **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
<b>Total</b>	<b>6.8</b>	<b>154.0</b>	<b>236.1</b>	<b>396.9</b>

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&amp;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
<b>Total</b>	<b>202,126</b>	<b>41,458</b>	<b>(11)</b>	<b>(7,501)</b>	<b>236,072</b>

## 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 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
<b>Total</b>	<b>350</b>	<b>(350)</b>	<b>0</b>	<b>22,670</b>	<b>(350)</b>	<b>22,320</b>

(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
<b>Total</b>	<b>0</b>	<b>22,320</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,320</b>

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
<b>Total</b>	<b>4,108</b>	<b>(1,109)</b>	<b>105</b>	<b>4,228</b>	<b>(1,650)</b>	<b>2,578</b>

(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
<b>Total</b>	<b>2,999</b>	<b>128</b>	<b>(8)</b>	<b>3</b>	<b>(544)</b>	<b>2,578</b>

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
<b>Total</b>		<b>228,129</b>		<b>212,908</b>

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
<b>Totale</b>					<b>25,545,929</b>		<b>147,978,185</b>	<b>228,129,083</b>

### **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
<b>Total</b>	<b>11,188</b>	<b>14,704</b>	<b>(3,375)</b>	<b>(137)</b>	<b>22,380</b>

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
<b>Total</b>	<b>50,912</b>	<b>5,309</b>	<b>(11,818)</b>	<b>2,648</b>	<b>3,589</b>	<b>50,640</b>

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 &amp; 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
<b>Total funds</b>	<b>98,667</b>	<b>11,600</b>	<b>(14,112)</b>	<b>(646)</b>	<b>205</b>	<b>95,714</b>

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)
<b>Shares at 31 December 2018</b>	<b>52,858,542</b>	<b>(82,765,896)</b>
<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
<b>Shares at 31 December 2019</b>	<b>6,636,485</b>	<b>(10,415,488)</b>

## 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)	=	=	=	=
<b>TOTAL</b>	<b>466,229,806</b>				

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
<b>Movement in end-of-service payment fund</b>	<b>318</b>	<b>93</b>	<b>(1)</b>	<b>410</b>

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)
<b>Current value of end-of-service payment fund</b>	<b>410</b>	<b>318</b>

### 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
<b>Dividends from subsidiaries and other income</b>	<b>18,354</b>	<b>7,721</b>
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
<b>Income/(Loss) from valuation in subsidiary companies</b>	<b>(5,585)</b>	<b>34,138</b>
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)
<b>Income/(Loss) from valuation in related companies</b>	<b>(136)</b>	<b>(849)</b>
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)
<b>Profit/(Loss) from valuation in other investments</b>	<b>5,871</b>	<b>(17,105)</b>
<b>Total investment Income (Losses)</b>	<b>18,504</b>	<b>23,905</b>

## 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
<b>Total</b>	<b>5,494</b>	<b>3,332</b>

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
<b>Total</b>	<b>18</b>	<b>3</b>	<b>3</b>	<b>18</b>	<b>18</b>

### 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
<b>Total</b>	<b>3,095</b>	<b>4,809</b>

### **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
<b>Total</b>	<b>1,210</b>	<b>326</b>

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
<b>Total</b>	<b>652</b>	<b>202</b>

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
<b>Profit before tax</b>	<b>10,709</b>		<b>18,390</b>	
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%
<b>Income tax reported in the income statement</b>	<b>(1,742)</b>		<b>1,086</b>	

## 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
<b>Basic earnings/loss per share (EUR per share) (C=A/B)</b>	<b>0.0481</b>	<b>0.0682</b>
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
<b>Diluted earnings/loss per share (EUR per share) (G=D/F)</b>	<b>0.0481</b>	<b>0.0682</b>

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

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:

<b>Share Plan</b>					<b>plan 2019</b>
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

<b>Performance Share</b>	<b>plan 2016</b>	<b>plan 2017</b>	<b>plan 2017</b>	<b>plan 2018</b>	<b>plan 2019</b>
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)
<b>Total related parties</b>	<b>327</b>	<b>8,453</b>	<b>2,413</b>	<b>64</b>	<b>75</b>	<b>1,013</b>	<b>203</b>	<b>1,742</b>	<b>428</b>	<b>(867)</b>
<b>Total financial statement line item</b>	<b>331</b>	<b>8,453</b>	<b>2,413</b>	<b>64</b>	<b>1,260</b>	<b>1,067</b>	<b>203</b>	<b>1,742</b>	<b>(5,494)</b>	<b>(3,095)</b>
<b>As % of financial statement line item</b>	<b>98.8%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>6.0%</b>	<b>94.9%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(7.8%)</b>	<b>28.0%</b>

(\*) 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
<b>Total</b>		<b>4,850,909</b>	<b>892,510</b>	<b>0</b>	<b>5,743,419</b>

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		
		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
Beneficiary	Position											
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.



**CERTIFICATION OF THE  
FINANCIAL STATEMENTS  
PURSUANT TO ARTICLE  
154-BIS OF LEGISLATIVE  
DECREE 154-BIS  
OF LEGISLATIVE  
DECREE 58/98**

## Certification of the Financial Statements pursuant to article 154-*bis* of Legislative Decree 154-*bis* of Legislative Decree 58/98

The undersigned, Paolo Ceretti, as Chief Executive Officer, and Manolo Santilli, as the manager responsible for preparing the company's accounts, hereby certify, pursuant to art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998 that, based on the characteristics of the Company, the adequacy in relation to the characteristics of the company of the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2019 Financial Year.

The assessment as to the suitability of the administrative and accounting procedures for preparing the Financial Statements for the Year Ending 31 December 2019 was based on a process established by DeA Capital S.p.A. in keeping with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is the generally accepted reference framework at the international level.

Note that in this regard, as described in the Notes to the Financial Statements, a significant portion of the assets are investments stated at fair value. Fair values were determined by directors based on their best estimate and judgement using the knowledge and evidence available at the time the Financial Statements were prepared. However, due to objective difficulties in making assessments and the absence of a liquid market, the values assigned to such assets could differ, and in some cases significantly, from those that could be obtained when the assets are sold.

The undersigned further certify that the Financial Statements to 31 December 2019:

- correspond to the Company's accounting records;
- have been prepared in compliance with the International Financial Reporting Standards adopted by the European Union, and the measures issued to implement art. 9 of Legislative Decree 38/2005;
- to the best of their knowledge, provide a true and fair view of the operating performance and financial position of the issuer.

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

10 March 2020

**Paolo Ceretti**  
**Chief Executive Officer**

**Manolo Santilli**  
**Manager responsible for preparing**  
**the Company's accounts**

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

The table below was prepared in accordance with art. 149-*duodecies* of the Consob Issuers' Regulations and reports the fees for FY 2019 for auditing and other services provided by the independent auditors and entities belonging to the independent auditors' network. The fees reported below do not include VAT and out-of-pocket expenses.

(EUR thousand)	Company providing the service	Beneficiary	Compensation FY 2019
<b>Audit</b>	PricewaterhouseCoopers S.p.A.	DeA Capital S.p.A.	77
<b>Other services</b>	PricewaterhouseCoopers Advisory S.p.A.	DeA Capital S.p.A.	77
<b>Total</b>			<b>154</b>





**SUMMARY OF  
SUBSIDIARIES'  
FINANCIAL STATEMENTS  
AT 31 DECEMBER 2019**

(EUR thousand)	DeA Capital Partecipazioni	DeA Capital Alternative Funds SGR	DeA Capital Real Estate SGR
Non-current assets	100,105	16,580	123,505
Current assets	2,233	22,724	75,287
Available-for-sale financial assets - non-current portion	-	-	-
<b>Consolidated assets</b>	<b>102,338</b>	<b>39,304</b>	<b>198,792</b>
Shareholders' equity	97,600	24,237	136,330
Non-current liabilities	849	5,428	9,259
Current liabilities	3,889	9,639	53,203
<b>Consolidated liabilities</b>	<b>102,338</b>	<b>39,304</b>	<b>198,792</b>
Alternative asset management fees	-	24,466	40,391
Service revenues	-	-	-
Other investment income/charges	13,782	(4)	2,013
Other income	(1)	20	29
Personnel costs	50	(11,723)	(16,512)
External service costs	(481)	(4,760)	(5,333)
Depreciation and amortisation	-	(636)	(3,364)
Provision for risks	(3,274)	-	(538)
Other charges	1	(202)	(2,871)
Financial income	2,091	83	38
Financial charges	-	(70)	(179)
Taxes	(162)	(2,289)	(4,301)
Profit/(loss) for the period from held-for-sale operations	-	-	-
<b>Net profit/(loss)</b>	<b>12,006</b>	<b>4,885</b>	<b>9,373</b>





**INDEPENDENT AUDITORS’  
REPORT**

## **Relazione della società di revisione indipendente**

ai sensi dell'articolo 14 del DLgs 27 gennaio 2010, n° 39 e dell'articolo 10 del Regolamento (UE) n° 537/2014

Agli azionisti

### **Relazione**

### **Giudizio**

Abbiamo svolto la revisione del bilancio consolidato della Società, costituito da dati reddituali e finanziari, e abbiamo emesso il nostro giudizio più significativo.

A nostro giudizio la situazione finanziaria e i flussi di cassa sono conformi agli Standards 9 del DLgs

### **Elementi**

Abbiamo svolto la revisione del bilancio consolidato della Società (la Società) in conformità ai principi contabili italiani (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla società DeA Capital SpA (la Società) in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti e appropriati su cui basare il nostro giudizio.

### **Aspetti chiave della revisione contabile**

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio consolidato nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

### **PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

## Aspetti chiave

## Procedure di revisione in risposta agli aspetti chiave

### Valutazione delle attività immateriali

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unità generatrici di cassa identificate ("Cash Generating Unit" o "CGU") alle quali è stato allocato l'avviamento e delle altre attività immateriali iscritte in bilancio e
- la determinazione del tasso di attualizzazione da utilizzare per scontare i flussi finanziari prospettici alla data di redazione del bilancio.

In considerazione delle modalità di valutazione utilizzate dal Gruppo, caratterizzate da elevato giudizio professionale e dal ricorso a processi di stima, e alla luce della rilevanza dell'avviamento e delle attività immateriali da commissioni variabili iscritte in bilancio, abbiamo ritenuto tale processo un aspetto chiave dell'attività di revisione.

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Abbiamo valutato la ragionevolezza delle ipotesi sottostanti la determinazione del valore recuperabile delle attività immateriali oggetto di *impairment test*, anche attraverso analisi di sensitività effettuate in maniera indipendente sui principali parametri utilizzati nel processo di stima.

Abbiamo infine verificato la corretta determinazione dei valori di bilancio delle attività e passività attribuibili alle singole CGU, incluso l'avviamento allocato, e delle attività immateriali da commissioni variabili, utilizzati per i confronti con i rispettivi valori d'uso, nonché la completezza e l'adeguatezza dell'informativa fornita.

## Aspetti chiave

## Procedure di revisione in risposta agli aspetti chiave

### Acquisizione della quota di maggioranza relativa d'azienda

Note Esplicative adottate – Collegamento “Immobiliare” “Immobiliare” Società Capogruppo “Investimenti” Patrimonio Netto

Nel corso dell'esercizio, il Gruppo ha effettuato l'acquisizione del ramo d'azienda di fondi di investimento di *Loan* (di cui il Gruppo ha detenuto il 50% del capitale) e del ramo d'azienda di *Capital Management* (di cui il Gruppo ha detenuto il 100% del capitale). “Quaestio Holding” DeA Capital Management (di cui il Gruppo ha detenuto il 100% del capitale) quota di maggioranza relativa. “Quaestio Holding” è collegata al Gruppo e le altre aziende del Gruppo consolidato a seguito delle acquisizioni effettuate sono pari, rispettivamente, a Euro 10,9 milioni e Euro 22,3 milioni.

La rilevazione contabile di tali acquisizioni ha richiesto agli amministratori lo svolgimento di approfondimenti e valutazioni in merito all'identificazione del più appropriato trattamento contabile nelle circostanze, alla luce della complessità delle transazioni, dei relativi accordi contrattuali e delle regole di governance definite.

Tali aspetti sono stati considerati chiave a motivo della componente di giudizio professionale insita nei processi di contabilizzazione e valutazione sopra illustrati.

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considerazioni effettuate dagli amministratori per posticipare, nei termini previsti dall'IFRS 3, il completamento dell'identificazione e della valutazione delle attività e delle passività acquisite dal Gruppo e la conseguente rilevazione dell'avviamento definitivo.

Con riferimento, invece, all'acquisizione della partecipazione in *Queastio Holding*, abbiamo esaminato le analisi effettuate dagli amministratori in merito al trattamento contabile definito per la rilevazione della partecipazione e delle connesse attività, alla luce delle clausole contrattuali e degli aggiustamenti prezzo previsti.

Abbiamo verificato l'accuratezza del prezzo pagato con i contratti di acquisizione firmati e con gli estratti conto bancari.

## Aspetti chiave

## Procedure di revisione in risposta agli aspetti chiave

### Valutazione degli strumenti finanziari non quotati

Note Espresse adottati – finanziari assunzioni Note 2b “valutate e “Partecipazioni Fair Value Patrimonio

Il Gruppo tramite f non. Al 31 “Partecipazioni Value th cui Euro 2 finanziari detenute

P&L” è pari a Euro 22,8 milioni, interamente relativi a strumenti finanziari non quotati. Il totale degli strumenti finanziari non quotati è quindi pari a Euro 66,4 milioni (11,2% del totale attivo consolidato).

Gli investimenti in società non quotate sono stati oggetto di un processo di valutazione che si fonda anche su metodi e tecniche di valutazione basati su dati di *input* osservabili, diversi da prezzi quotati disponibili su mercati attivi, e dati di *input* non osservabili, oggetto di un articolato processo di stima.

La valutazione al *fair value* di partecipazioni in società non quotate è quindi caratterizzata da un elevato giudizio professionale relativamente:

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E’ stata infine verificata la completezza e la correttezza delle informazioni fornite in base ai principi

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- valutazione dei singoli *asset* e verificato la loro accuratezza matematica;
- verificato che i dati economici, patrimoniali e dei flussi finanziari prospettici utilizzati come dati di *input* non siano stati predisposti utilizzando ipotesi ed elementi non ragionevoli;
- verificato la ragionevolezza delle altre assunzioni e ipotesi sottostanti ai modelli di valutazione, anche attraverso specifiche analisi di sensitività sui principali parametri e dati di *input*, osservabili e non.

Abbiamo, infine, verificato la corretta contabilizzazione a conto economico delle plusvalenze/minusvalenze derivanti dalla valutazione degli strumenti finanziari non quotati al 31 dicembre 2019.

## Aspetti chiave

## Procedure di revisione in risposta agli aspetti chiave

- alla scelta della tecnica di valorizzazione
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### Rilevazioni

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I ricavi da commissioni includono le commissioni di gestione, di istituzione fondi, di sottoscrizione e di incentivo.

Le commissioni di gestione, ed eventuali commissioni di istituzione e/o di sottoscrizione, sono calcolate sulla base di percentuali applicate al patrimonio gestito ("Asset Under Management" o "AUM") o sugli impegni finanziari ("Commitment") nel caso di alcuni fondi di *private equity*, secondo modalità previste nei rispettivi regolamenti di gestione dei fondi.

Le commissioni di incentivo sono invece contabilizzate al raggiungimento di determinate soglie di performance stabilite contrattualmente.

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controlli chiave identificati.

Con riferimento alle commissioni derivanti dall'attività di gestione di DeA Capital Alternative Funds SGR SpA, abbiamo analizzato i regolamenti dei fondi gestiti, al fine di verificare la coerenza metodologica del calcolo, la correttezza delle percentuali commissionali applicate e la relativa accuratezza matematica.

Abbiamo, inoltre, fatto affidamento sulle procedure di revisione da noi svolte nell'ambito dell'attività di revisione delle relazioni di gestione dei fondi gestiti dalla controllata per la verifica dell'esistenza e della corretta valutazione dei patrimoni dei fondi e dei relativi risultati reddituali.

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## Aspetti chiave

La rilevazione delle commissioni attive, pari a Euro 66,1, è stata consolidata nell'attività dell'attività significative del Gruppo a

## Procedure di revisione in risposta agli aspetti chiave

Con riferimento, invece, alle commissioni svolte dalla SGR SpA, rete PwC, esse sul Alternative che autonome. e ne svolte ambito dellaancio della di gestionevo riesame ne, svolto ali analisi mpionaria, fine di a del tuali va

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## Responsabilità

## Bilancio consolidato

Gli amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'articolo 9 del DLgs n° 38/05 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo DeA Capital SpA o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

## **Responsabilità della società di revisione per la revisione contabile del bilancio consolidato**

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori materiali, intenzionali o involontari, di natura o di entità tale da influenzare le decisioni economiche degli individui che una revisione condotta secondo le norme professionali (ISA Italia), abbiamo valutato la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;

Nell'ambito della revisione contabile del bilancio consolidato, abbiamo valutato la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;

- abbiamo valutato la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;
- abbiamo valutato la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;



- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli

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dell'articolo 5, paragrafo 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio consolidato espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione legale, predisposta ai sensi dell'articolo 11 del citato Regolamento.

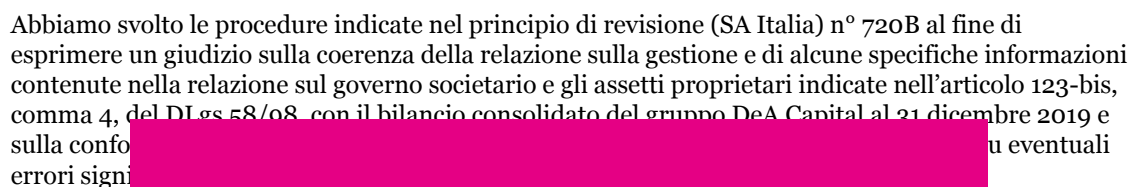
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### ***Relazione su altre disposizioni di legge e regolamentari***

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#### ***Giudizio ai sensi dell'art. 14, comma 2, lettera e), del DLgs 39/10 e dell'articolo 123-bis, comma 4, del DLgs 58/98***

Gli amministratori di DeA Capital SpA sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari del gruppo DeA Capital al 31 dicembre 2019, incluse la loro coerenza con il relativo bilancio consolidato e la loro conformità alle norme di legge.



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## **Relazione della società di revisione indipendente**

ai sensi dell'articolo 14 del DLgs 27 gennaio 2010, n° 39 e dell'articolo 10 del Regolamento (UE) n° 537/2014

Agli azionisti

### **Relazione**

### **Giudizio**

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Società, costituito dallo stato patrimoniale, dalla situazione patrimoniale complessiva e dall'esercizio dell'attività, ai principi contabili italiani.

A nostro giudizio la situazione patrimoniale complessiva e l'esercizio dell'attività sono conformi ai principi contabili italiani e ai principi contabili della Società.

### **Elementi**

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Società, costituito dallo stato patrimoniale, dalla situazione patrimoniale complessiva e dall'esercizio dell'attività, ai principi contabili italiani.

Le nostre responsabilità sono quelle previste dall'articolo 14 del DLgs 27 gennaio 2010, n° 39 e dall'articolo 10 del Regolamento (UE) n° 537/2014. La nostra responsabilità è quella di esprimere un giudizio sulla correttezza del bilancio d'esercizio della Società, costituito dallo stato patrimoniale, dalla situazione patrimoniale complessiva e dall'esercizio dell'attività, ai principi contabili italiani. La nostra responsabilità è quella di esprimere un giudizio sulla correttezza del bilancio d'esercizio della Società, costituito dallo stato patrimoniale, dalla situazione patrimoniale complessiva e dall'esercizio dell'attività, ai principi contabili italiani.

### **Aspetti chiave della revisione contabile**

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio d'esercizio nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

### **PricewaterhouseCoopers SpA**

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## Aspetti chiave

## Procedure di revisione in risposta agli aspetti chiave

### Acquisizione della quota di maggioranza relativa in Quaesio Holding

Note Esplicative: Parte B - Criteri di valutazione adottati – paragrafo relativo alle “Attività finanziarie”, Parte D – Utilizzo di stime e assunzioni nella predisposizione del bilancio, Nota 2a “Partecipazioni in Società controllate”, 2b “Partecipazioni in Società e Fondi collegati”, 2c “Partecipazioni in Altre Imprese valutate al Fair Value through P&L” dello Stato Patrimoniale.

Nel corso dell'audit, la PwC ha completato la sua valutazione della maggioranza relativa di Quaesio Holding S.p.A. sulla base delle informazioni fornite dalla direzione aziendale e dell'ispezione delle scritture contabili. La rilevazione di un importo di 22,3 milioni di euro è stata effettuata.

La rilevazione di un importo di 22,3 milioni di euro è stata effettuata sulla base delle informazioni fornite dalla direzione aziendale e dell'ispezione delle scritture contabili. La rilevazione di un importo di 22,3 milioni di euro è stata effettuata.

Tali aspetti sono stati considerati chiave a motivo della componente di giudizio professionale insita nei processi di contabilizzazione e valutazione sopra illustrati.

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o chiave, contabile ne mediante e degli altri discussioni con

effettuata corretta sulla base di abile partecipazioni in

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e con gli estratti conto bancari.

E' stata infine verificata la completezza e l'adeguatezza dell'informativa fornita in bilancio secondo quanto previsto dai principi contabili.

### Valutazione strumenti finanziari non quotati

Note Esplicative: Parte B - Criteri di valutazione adottati – paragrafo relativo alle “Attività finanziarie”, Parte D – Utilizzo di stime e assunzioni nella predisposizione del bilancio, Nota 2a “Partecipazioni in Società controllate”, 2b “Partecipazioni in Società e Fondi collegati”, 2c “Partecipazioni in Altre Imprese valutate al Fair Value through P&L” dello Stato Patrimoniale.

Abbiamo compreso e valutato il processo di determinazione del valore degli investimenti finanziari della Società e i relativi presidi di controllo implementati.

Abbiamo discusso con la direzione aziendale l'appropriatezza metodologica delle valutazioni effettuate, sulla base delle caratteristiche del singolo investimento e con

## Aspetti chiave

## Procedure di revisione in risposta agli aspetti chiave

DeA Capital SpA detiene partecipazioni in società quotate e non. Al 31 dicembre 2019 il totale degli “Investimenti d’esercizio in società e in società e f... Altre Imp... P&L”, è pari a 286,3 milioni di euro (non quotate Società).

Gli investimenti oggetto di revisione sono anche su dati di quotati di *input* non processo

La valutazione società non elevato gi

- alla ritenere relaz investimento;
- alla definizione delle assunzioni e dei parametri da utilizzare nell’ambito dell’applicazione delle tecniche di valutazione scelte;
- alla determinazione del valore puntuale del *fair value* dello strumento finanziario all’interno degli intervalli di valori individuati con le diverse tecniche applicate.

In considerazione della significatività di tali componenti discrezionali e della rilevanza degli investimenti in società non quotate iscritti in bilancio, abbiamo ritenuto tale processo un aspetto chiave dell’attività di revisione.

il supporto degli esperti appartenenti al network PwC in materia di valutazione

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### **Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio**

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'articolo 9 del DLgs n° 38/05 e necessari per la redazione del bilancio d'esercizio, in caso di frodi o a comportamenti o eventi non intenzionali.

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Il collegio sindacale è responsabile per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'articolo 9 del DLgs n° 38/05 e necessari per la redazione del bilancio d'esercizio, in caso di frodi o a comportamenti o eventi non intenzionali.

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### **Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio**

I nostri obiettivi sono quelli di fornire una rappresentazione veritiera e corretta del bilancio d'esercizio, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'articolo 9 del DLgs n° 38/05 e necessari per la redazione del bilancio d'esercizio, in caso di frodi o a comportamenti o eventi non intenzionali.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della Società;

- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sulle possibilità che la Società possa continuare ad operare nel futuro. Gli amministratori sono tenuti a redigere il bilancio sulla base delle informazioni acquisite fino alla data di chiusura del bilancio. Gli amministratori sono responsabili della formulazione del bilancio e della sua presentazione. Gli amministratori sono tenuti a fornire alla Società tutte le informazioni necessarie per la redazione del bilancio. Gli amministratori sono tenuti a fornire alla Società tutte le informazioni necessarie per la redazione del bilancio.
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;

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Abbiamo chiesto agli amministratori della Società di fornire alla Società tutte le informazioni necessarie per la redazione del bilancio. Gli amministratori sono tenuti a fornire alla Società tutte le informazioni necessarie per la redazione del bilancio.

Abbiamo fatto presente agli amministratori della Società che, in base agli elementi probativi acquisiti, sulle possibilità che la Società possa continuare ad operare nel futuro. Gli amministratori sono tenuti a redigere il bilancio sulla base delle informazioni acquisite fino alla data di chiusura del bilancio.

Tra gli aspetti che abbiamo valutato, abbiamo considerato anche la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa.

### ***Altre informazioni comunicate ai sensi dell'articolo 10 del Regolamento (UE) 537/2014***

L'assemblea degli azionisti di DeA Capital SpA ci ha conferito in data 17 aprile 2015 l'incarico di revisione legale del bilancio d'esercizio e consolidato della Società per gli esercizi dal 31 dicembre 2015 al 31 dicembre 2023.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'articolo 5, paragrafo 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio d'esercizio espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione legale, predisposta ai sensi dell'articolo 11 del citato Regolamento.



## Relazione su altre disposizioni di legge e regolamentari

**Giudizio ai sensi dell'art. 14, comma 2, lettera e), del DLgs 39/10 e dell'articolo 123-bis, comma 4 del DLgs 58/98**

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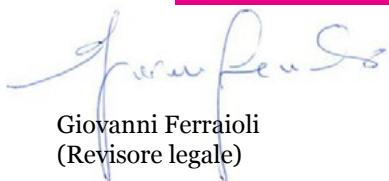
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Giovanni Ferraioli  
(Revisore legale)