LVenture GROUP

FINANCIAL STATEMENTS

2018

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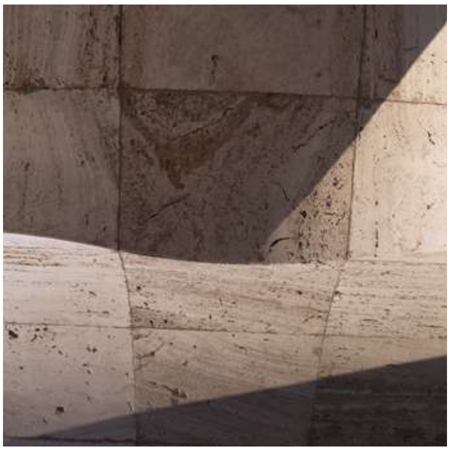
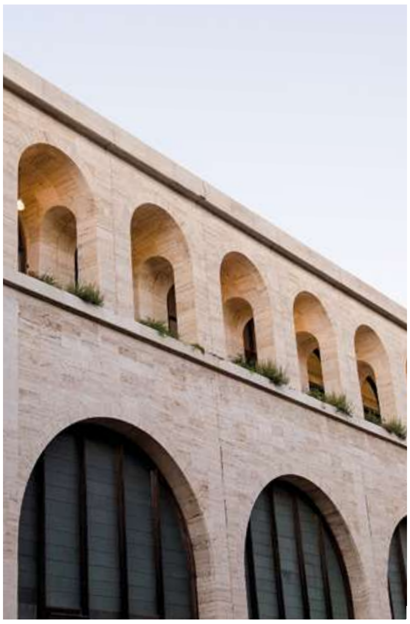
2018

This report has been translated into the English language
for the sole convenience of international readers.

Contents





Dear Shareholders, dear Stakeholders,

Our Company, which is itself considered a startup, closed its sixth year in profit.
The Company is a listed holding company that invests in digital startups, something which allows our investors, who might subscribe to capital increases, to retain the tax benefits granted to them, which once again increased this year!
This growth resulted in a balance sheet profit for the first time, due partly to the revaluations of a pool of startups consisting of over 60 units. The profit achieved was the result of a collective effort, starting with the renewed and enlarged Board, which maintains the gender quotas but has increased skills and know-how and relational commitment. The appointment of new managers has focused targets and increased services to companies and startups.
Furthermore, in 2018 important agreements were drawn up for our ecosystem to support the growth of startups, including:

- the arrival of Facebook in our offices, with its first-of-its-kind training centre in Italy;
- the co-investment agreement with Hatcher+, the Singapore fund, which has already increased the financial resources of the 13th acceleration course started in December;
- the sponsored agreement with IAG, Italian Angels for Growth, for the launch of a Roman chapter of investors in startups;
- the acquisition of a stake in our capital, with a shareholding of more than 5%, and therefore visible, by Fondazione Cariplo, through its financial arm Futura Invest. The latter, together with an agreement for the joint offer of Open Innovation services to corporates, which is already bearing fruit and will allow us to further increase turnover, covering operating costs.

Our company remains steadily committed to pursuing its business model, which aims to guarantee our startups an effective ecosystem for their development, therefore accelerating their growth, with visible effects on employment (more than a thousand jobs created) and with anticyclical effects on the economy. Our offices are once again filled with visionary and highly motivated youngsters, and we are preparing to increase the spaces in our Hub so as to remain the centre of new business creation in Italy.
Towards greater things!

Stefano Pighini
Chairman

Company Information

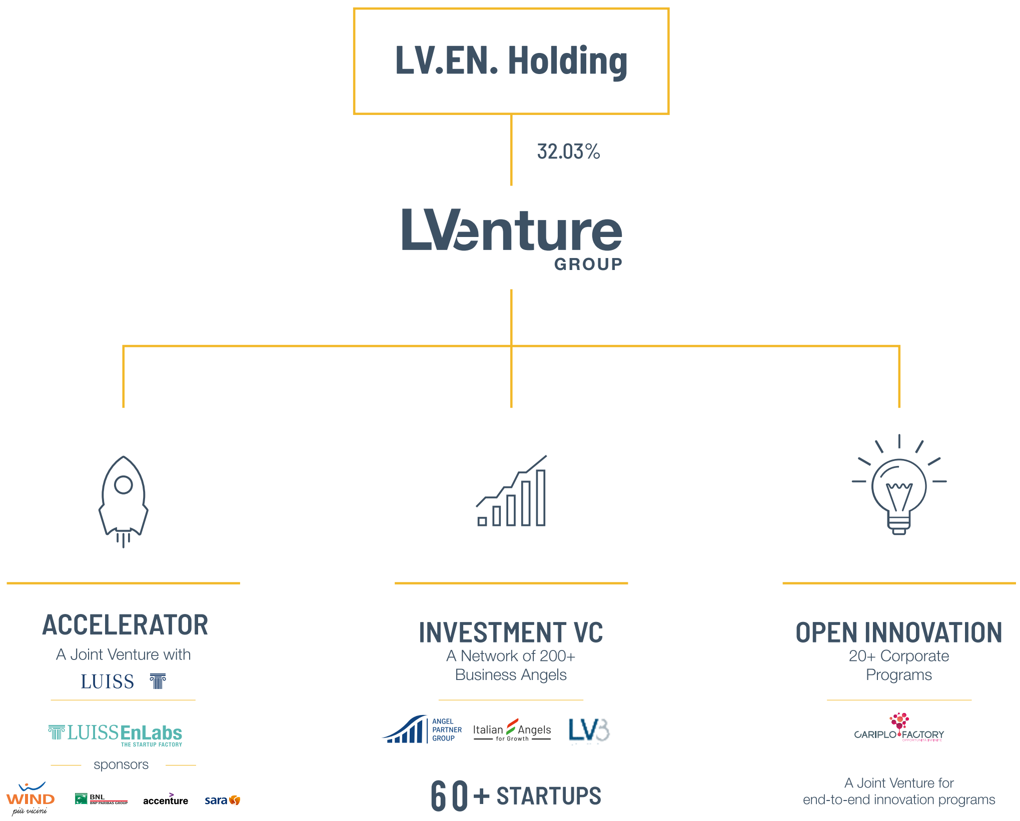
REGISTERED OFFICE

LVenture Group S.p.A.
Via Marsala 29h
00185 ROME
Tel. +39 06 4547 3124

LEGAL INFORMATION

Resolved share capital €10,312,449
Subscribed and paid-up share capital €10,312,449
Tax Code and Rome Business Reg. no.: 81020000022
VAT no.: 01932500026
Rome Chamber of Commerce Economic and Administrative Index no. 1356785
Enrolled in the special section of the Rome Chamber of Commerce reserved for the CERTIFIED INCUBATORS AND ACCELERATORS
LEI Code 8156001F4745B0CB0760
Certified email: lventuregroup.pec@legalmail.it

ORGANISATIONAL CHART AT 31/12/2018



OUR EQUITY SHARES IN OTHER ACCELERATORS

clubAcceleratori
2.92%

Startupbootcamp FoodTech
12.30%

BOARD OF DIRECTORS IN OFFICE UNTIL APPROVAL OF THE 2020 FINANCIAL STATEMENTS

Role	Name and Surname
Chairman	Stefano Pighini
Deputy Chairman and Chief Executive Officer	Luigi Capello
Director	Roberto Magnifico
Director	Valerio Caracciolo
Independent Director	Claudia Cattani
Independent Director	Maria Augusta Fioruzzi
Independent Director	Marco Giovannini
Independent Director	Maria Mariniello
Independent Director	Pierluigi Pace

BOARD OF STATUTORY AUDITORS IN OFFICE UNTIL APPROVAL OF THE 2018 FINANCIAL STATEMENTS

Role	Name and Surname
Chairman	Carlo Diana
Standing Auditor	Giovanni Crostarosa Guicciardi
Standing Auditor	Benedetta Navarra

INTERNAL CONTROL SYSTEM DIRECTOR

Luigi Capello

CONTROL AND RISK AND RELATED PARTY TRANSACTIONS COMMITTEE

Claudia Cattani (Chairperson)
Maria Mariniello

REMUNERATION COMMITTEE

Claudia Cattani (Chairperson)
Marco Giovannini
Maria Mariniello

SURVEILLANCE BODY

Bruno Piperno (Chairman)
Cristiano Cavallari
Benedetta Navarra

INDEPENDENT AUDITORS ENGAGED UNTIL APPROVAL OF THE 2021 FINANCIAL STATEMENTS

Baker Tilly Revisa Spa

CORPORATE OFFICER IN CHARGE OF PREPARING THE ACCOUNTING DOCUMENTS

Francesca Bartoli

Highlights of results

The following financial statements take into account that the Company adopted IFRS 9 as from 1 January 2018. This led to a change in the accounting standards compared to those adopted in drafting the financial statements as at 31 December 2017, resulting in reclassifications and value adjustments for the financial statement items. In accordance with the provisions regarding the transition to IFRS 9, the Company has recalculated the data prior to 1 January 2018, which are presented for comparison purposes. The result for 2018 includes this change in accounting standards, benefiting from a positive effect on the income statement for the fair value measurement of startups for €2,210 thousand (€983 thousand on the restated 2017 financial statements).

Our figures

2
CITIES
Rome and Milan

2
ACCELERATION PROGRAMS
every year

400+
APPLICATIONS
every year
in our deal flow

60+
STARTUPS
in our portfolio

5.5K
SQUARE METRES
of offices in
Rome and Milan

200+
CORPORATES
in our ecosystem

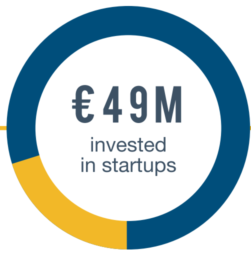
100+
INVESTORS
in our network

300+
EVENTS
every year gathering
20K+ guests

1300
JOB POSITIONS
created by
our startups

€25M+
REVENUES
from our portfolio

ACCELERATED STARTUPS

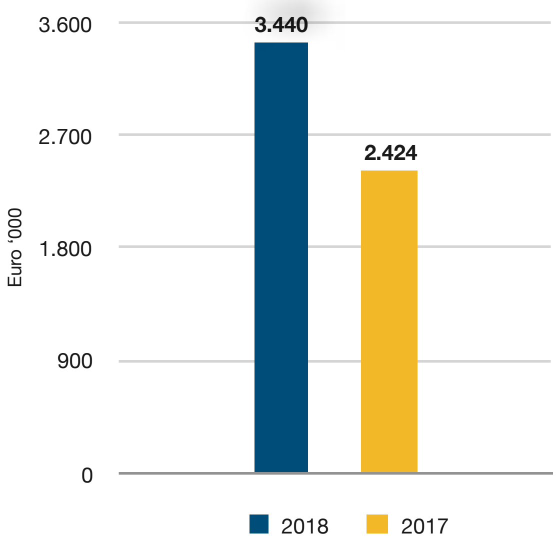


€13M
INVESTMENT
di LVenture Group

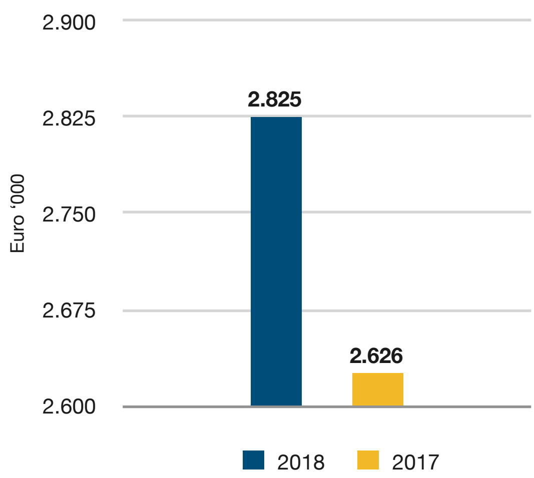
€36M
INVESTMENT
by other investors

Highlights of results

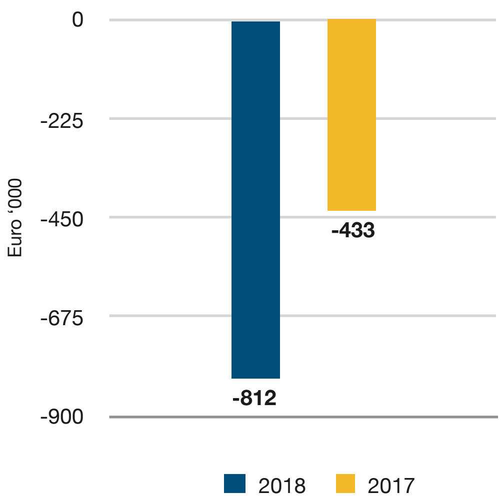
Revenues: in 2018 these amounted to €3,440 thousand, an increase of €1,016 thousand, approximately 42%, compared to 2017



Investments: in startups, in 2018 these amounted to €2,825 thousand, up by 8% compared to 2017.



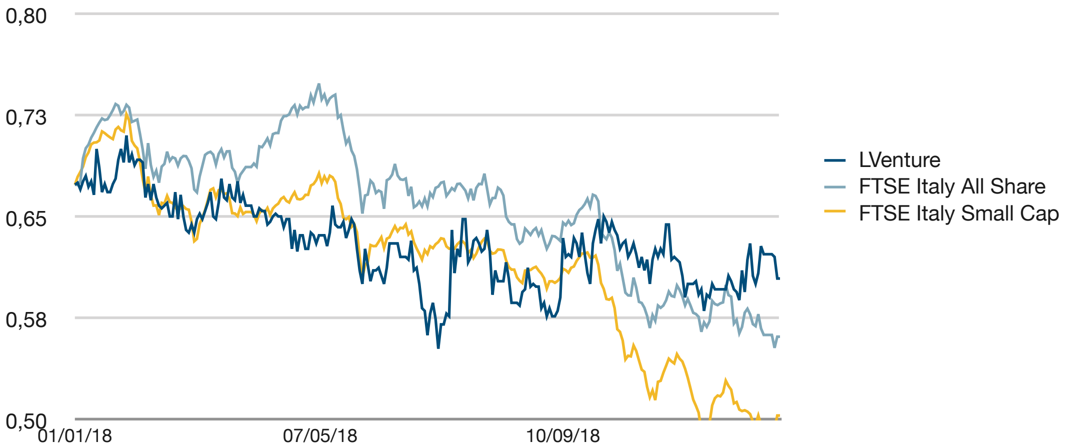
Net Financial Position: the NFP was €812 thousand, compared with €433 thousand in the previous year



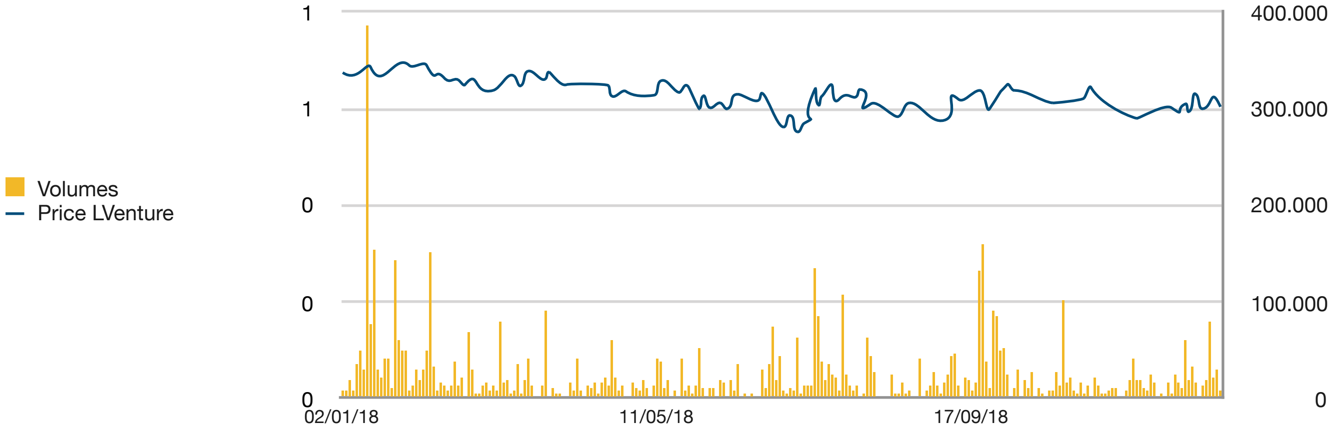
Highlights of results

MAIN STOCK EXCHANGE INDICATORS (EURO)	
Official price at 02/01/2018	***0.6750***
Official price at 31/12/2018	0.6040
Minimum price during the year	0.5520
Maximum price during the year	0.7100
Stock exchange capitalisation 02/01/2018	***19,004,449***
Stock exchange capitalisation 31/12/2018	***19,134,315***
Total capitalisation 02/01/2018	***19,954,486***
Total capitalisation 31/12/2018	20,214,140
No. of listed shares outstanding at 02/01/2018	28,154,739
No. of listed shares outstanding as at 31/12/2018	***31,679,330***
Total no. of shares outstanding at 02/01/2018	29,562,201
Total no. of shares outstanding at 31/12/2018	33,467,119

SHARE PERFORMANCE COMPARED TO INDEX:
FTSE ITALIA ALL SHARE AND FTSE ITALIA SMALL CAP



SHARE PERFORMANCE



Main balance sheet indicators (€ thousands)	2018	% change	2017
Total investments (IFRS)	15,203	26%	12,099
Total investments (API)	17,145	11%	15,394
Net Working Capital	1,021	14%	899
Net invested capital	16,347	24%	13,188

Main profit and loss indicators (€ thousands)	2018	% change	2017
Revenues	3,440	42%	2,424
EBITDA	-779	***17%***	-933
EBIT	533	***200%***	-532
Pre-tax profit (loss)	428	***176%***	-566
Net profit (loss)	401	***160%***	-671

Main cash flow indicators (€ thousands)	2018	% change	2017
Net Financial Position	-812	88%	-433
Total Cash Flow	719	-228%	-563
Operating Cash Flow	-103	-92%	-1,230

Our Startups

Our startups

ANALYTICS & BIG DATA

1

BigProfiles is a Big Data platform for Customer Intelligence insights.

www.bigprofiles.it

2

Dynamitick is a dynamic pricing engine for the entertainment and travel industry.

www.dynamitick.com

3

GenomeUp is a software that supports the diagnosis and therapy of patients by studying their DNA through AI.

www.genomeup.com

4

KPI6 is an AI-powered Software as a Service for social media marketing.

www.kpi6.com

5

Lybra Tech is a B2B SaaS platform with a machine learning algorithm for hotel revenue management.

www.lybra.tech

COMMUNITY & EDUCATION

6

Codemotion is an event format and a digital platform that connects developers with corporates.

www.codemotionworld.com

7

GEC is the first Italian esports network and it owns an e-learning platform named GETPRO.

www.gec.gg

8

Social Academy is an e-learning and career coaching platform.

www.socialacademy.com

9

Tutored is a social network and hiring platform for university students.

www.tutored.me

DESIGN & FASHION

10

AmbiensVR ia a virtual reality platform that creates immersive and interactive 3D interior design experiences.

www.ambiensvr.com

11

Deesup is the marketplace for second-hand design to buy and sell authentic furniture.

www.deesup.com

12

Drexcode is an online platform to rent the most exclusive fashion and design collections.

www.drexcode.com

13

GoPillar is an interior design crowdsourcing platform that connects designers and customers.

www.gopillar.com

14

Playwood is an easy assembly design system to combine connectors with boards and create custom furniture.

www.playwood.it

DEV TOOLS

15

LexiQA is a cloud-based quality control platform for language services.

www.lexiqa.net

16

Majeeko automatically creates customizable websites from Facebook pages and keeps them always synchronized.

www.majeeko.com

Paperlit is a publishing platform that reorganizes the digitalization and distribution of magazines.

www.paperlit.com

17

Pigro is a virtual assistant that turns content from knowledge bases into user-friendly chats.

www.pigro.ai

18

Skaffolder is a platform for developers to create web applications with less time and effort.

www.skaffolder.com

19

Snapback is a Software Development Kit that creates innovative gesture control interfaces.

www.snapback.io

20

Spidchain creates and manages digital identities with a blockchain-based solution.

www.spidchain.com

21

Yakkyo is an online service that manages the sourcing and shipping of goods from China.

www.yakkyo.com

22

ENTERTAINMENT

Cineapp is an app to choose a movie and buy the tickets for any cinema in less than a minute.

www.cineapp.it

23

ForTune is a digital platform that creates a personalized playlist of podcasts based upon users' interests.

www.fortune.fm

24

Gamepix is an online platform to publish and promote HTML5 videogames.

www.gamepix.com

25

Karaoke One is a social network that records and shares your karaoke experiences.

www.karaokeone.tv

26

Nextwin is a social game for tipsters that created Invictus, the first AI-powered advisor for sports betting.

www.nextwin.com

27

Soundreef is a digital istant auditing and accounting system for authors and publishers.

www.soundreef.com

28

EVENTS & TRAVEL

Tirolibre is a digital platform for the football market dedicated to players, clubs and agents.

www.tirolibre.it

29

Verticomics is an online platform to publish and promote digitally formatted comic books.

www.verticomics.com

30

Babaiola is an online travel platform designed for the LGBT community.

www.babaiola.com

31

DiveCircle is a booking platform for travel experiences dedicated to sea lovers and scuba divers.

www.divecircle.com

32

Our startups

FINTECH & LOYALTY

33

Parcy is a B2B SaaS platform that allows event professionals to automate their workflow.

www.parcy.co

34

Zappyrent is a digital platform for the mid-long rental market, with 3D Virtual Tours and safe payments.

www.zappyrent.com

35

In Time Link enables digital payments on vending machines through smartphones.

www.intimelink.com

36

Pubster is a loyalty app for pubs, bars and cafes to acquire and retain customers.

www.pubsterapp.com

FOODTECH

37

Together Price is an online platform designed to share digital services and split subscription costs.

www.togetherprice.com

38

Direttoo is an HORECA supply-chain platform that revolutionizes food distribution.

www.direttoo.it

39

Moovenda is a food delivery platform for culinary excellence.

www.moovenda.com

40

MyFoody is an app that helps supermarkets and consumers to reduce food waste thanks to a smart and green solution.

www.myfoody.it

HEALTH & BEAUTY

41

Wineowine is an online club to discover and buy quality wines from small producers.

www.wineowine.com

42

Brave Potions is an augmented reality app to help children trust doctors and dentists.

www.bravepotions.com

43

Call Me Spa offers wellness, fitness and beauty services on demand at your doorstep.

www.callmespa.com

44

Fitprime is an all-in-one subscription app to access partnered gyms and fitness classes.

www.fitprime.com

45

Inkdome is a virtual tattoo studio that uses Artificial Intelligence to connect tattoo lovers with the best ink artists.

www.inkdome.com

46

Le Cicogne is an app dedicated to families to manage and book childcare services.

www.lecicogne.net

47

Medyx is an app that reminds discharged patients of their medications and dosages.

www.medyxcare.com

48

MyLab Nutrition allows sport professionals to create and purchase their food supplements directly online.

www.mylabnutrition.net

IOT & SMART MOBILITY

SHAMPORA

Shampora provides a virtual assistant to create tailor-made hair products by analyzing the needs of every user.

www.shampora.com

49

2hire

2hire is a plug-and-play device that changes the way users interact, manage and track their vehicles.

www.2hire.io

50

filo

Filo is a small and simple device to track all your valuables.

www.filotrack.com

51

Insoore

Insoore is a community based platform for Insurance Companies to improve claims management.

www.insoore.com

52

kiwi

Kiwi is a robot delivery infrastructure that revolutionizes the food delivery experience.

www.kiwicampus.com

53

manet

Manet is a personal concierge smartphone designed to revolutionize hospitality and the whole travel experience.

www.manetmobile.com

54

powahome

Powahome is a retrofit smart home solution that improves users' interaction with their homes.

www.powahome.com

55

revotree THINK WATERLESS

Revotree is an AI-powered device for the remote control of irrigation in orchards.

www.revotree.it

56

scuter

Scuter is a mobility sharing system with three-wheeled electric scooters.

www.scuter.co

57

tiassisto24 goditi la strada.

Tiassisto24 is a digital vehicle management and concierge service.

www.tiassisto24.it

58

ufirst QURAMI you are next

uFirst Qurami is a queue management and booking agenda app that improves customer satisfaction.

www.qurami.com

59

vikey

Vikey is a hardware and software solution to remotely manage vacation apartments.

www.vikey.it

60

EXIT

BAASBOX

acquired by

LIQUID BUSINESS GROUP

2018

www.baasbox.com

netlex lo studio legale ovunque

acquired by

TeamSystem

2016

www.netlexweb.com

QURAMI you are next

acquired by

ufirst

2018

www.qurami.com

voverc

acquired by

Wildix

2018

www.voverc.com

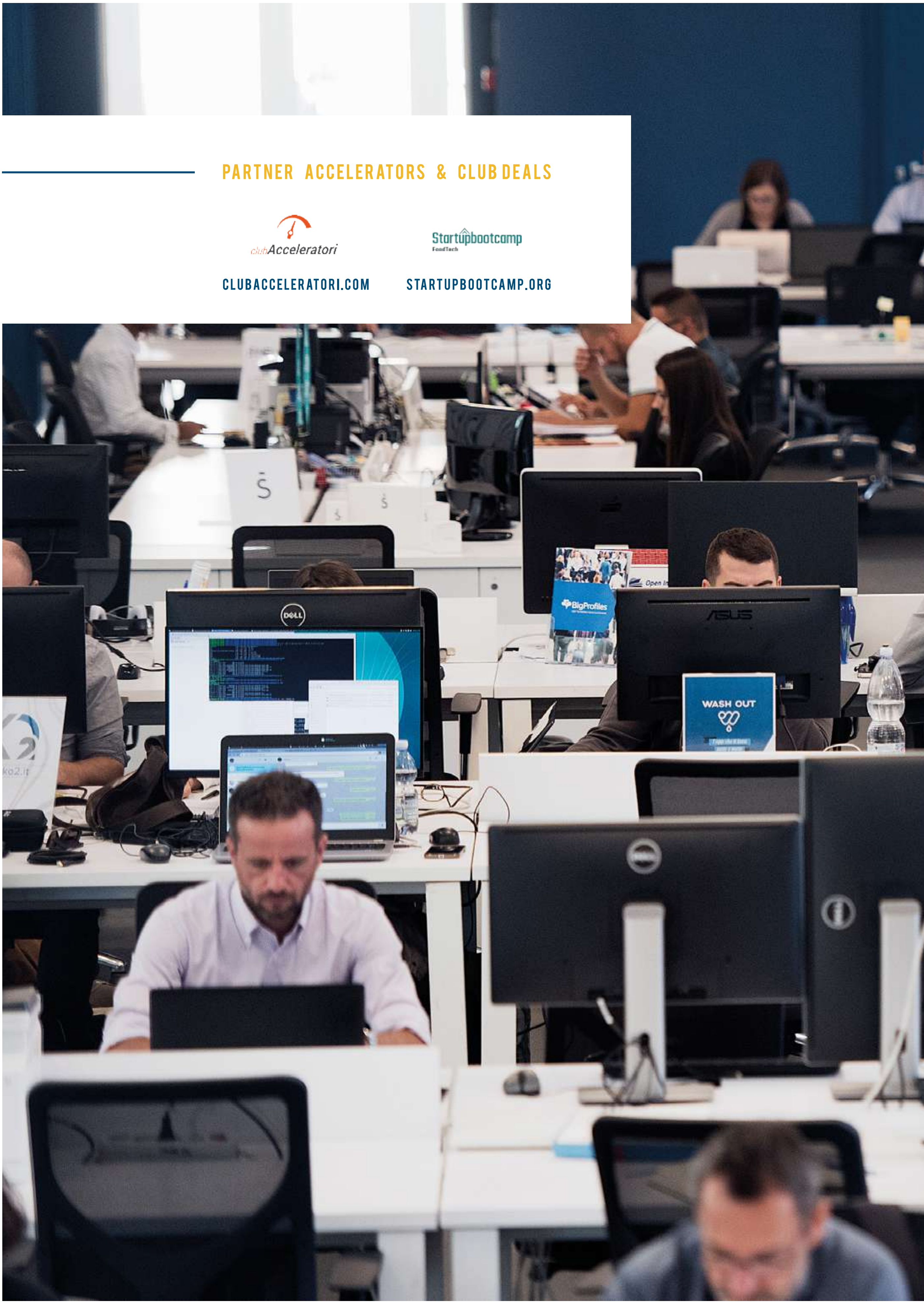
PARTNER ACCELERATORS & CLUB DEALS

clubAcceleratori

CLUBACCELERATORI.COM

Startupbootcamp FoodTech

STARTUPBOOTCAMP.ORG



Directors' Report

Introduction

The Directors' Report on operations is based on the Separate Financial Statements of LVenture Group at 31 December 2018, prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the IASB and endorsed by the European Union on the same date, based on the going concern assumption. The IFRSs also include all the revised international accounting standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The Report should be read in conjunction with the Financial Statements and the related Notes, which are an integral part of the 2018 Separate Financial Statements. These documents include the additional disclosures required by CONSOB, based on the measures issued in implementation of art. 9 of Italian Legislative Decree 38/2005 (resolutions 15519 and 15520 of 27 July 2006 and communication DEM/6064293 of 28 July 2006, as well as any subsequent financial reporting communications).

The following separate financial statements take into account that the Company adopted IFRS 9 as from 1 January 2018. This led to a change in the accounting standards compared to those adopted in drafting the financial statements as at 31 December 2017, resulting in reclassifications and value adjustments for the financial statement items. In accordance with the provisions regarding the transition to IFRS 9, the Company has recalculated the data prior to 1 January 2018, presented for comparison purposes.
The result for 2018 includes this change in accounting standards, benefiting from a positive effect on the income statement for the fair value measurement of startups for €2,210 thousand (€983 thousand on the restated 2017 financial statements).

In order to provide stakeholders with an alternative measure for Portfolio performance, the financial reporting was supplemented with an Alternative Performance Indicator (API), which represents the Portfolio value on the basis of the most recent capital transactions taking place in the reference period, also considering the issue of hybrid financial instruments. For the purposes of accuracy, this indicator is a useful parameter to provide an indicative Portfolio valuation, in line with sector best practices, but it does not replace IAS/IFRS valuation criteria applied to determine the value of the investment Portfolio recognised in the Separate Financial Statements (Note 5 of the Notes).

The Separate Financial Statements have been prepared based on the assumption of the Company's ability to continue as a going concern. The Company is not aware of any profit and loss, balance sheet, cash flow or organisational indicators (as defined in paragraph 25 of IAS 1) such as to cast significant doubt on the Company's ability to continue as a going concern. In this regard, please refer to the "Business Outlook" section below.

The Separate Financial Statements were approved by the Board of Directors of LVenture Group on 12 March 2019.

The impact of current market conditions

The Issuer operates in the Venture Capital sector with a proprietary accelerator, investing in digital startups.

In recent years we have seen the birth of many technologically innovative companies able to successfully scale their businesses in a short time period. At the same time, we witnessed the transformation of the ecosystem which revolves around the creation and incubation of technology startups, as a result of various acceleration programmes promoted by investors and business owners.

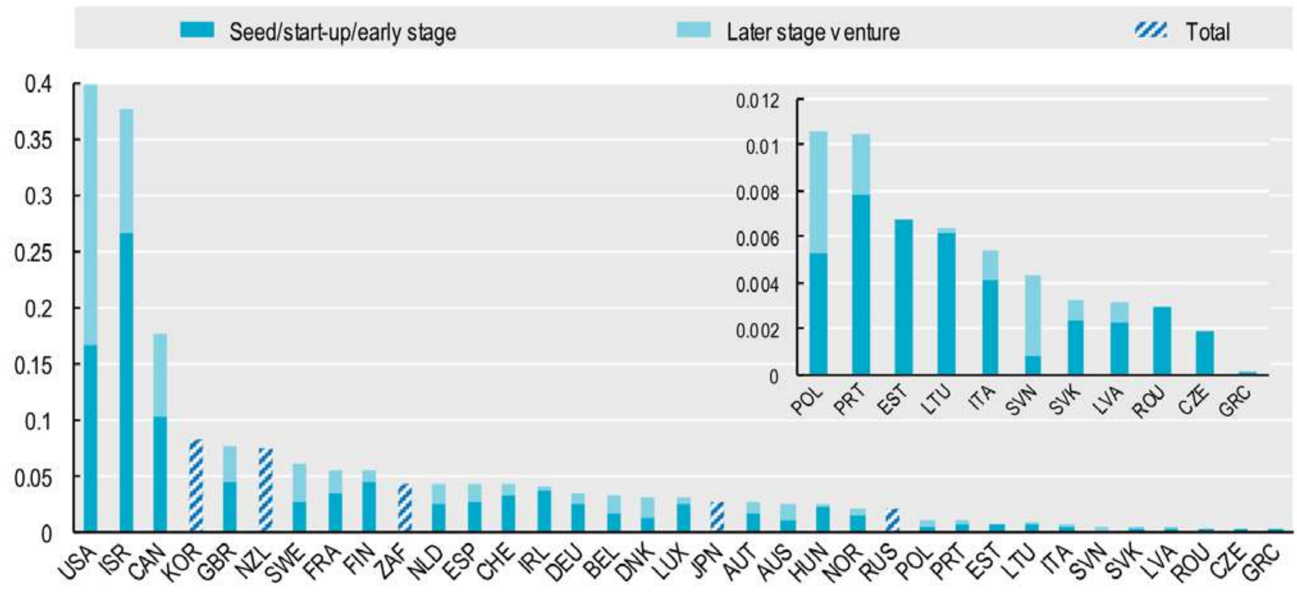
Generally, these programmes provide physical spaces in which to host the new companies, technological infrastructures, small investments in exchange for minority shareholdings and, above all, intensive mentoring activities and support to the business project. These acceleration programmes quickly became widespread across the United States (from 2005), and subsequently also Europe.

One British study commissioned by Nesta[1] showed positive impacts for the startups taking part in these programmes.

It has been found that startups taking part in acceleration programmes experience a significant increase in the rate of success, measured in terms of economic development and a reduction in mortality rate.

2018 was a record year for Italian startups. According to the estimates of the Hi-Tech Startup Observatory, conducted by the Politecnico di Milano's School of Management in collaboration with Italia StartUp, overall investments in startups amounted to an estimated €600 million (almost doubling the total value of the sector with respect to the previous year), with the foreign investment component reaching 38% of total investments. This is a very positive result, but still lower than that of the main European countries. In England and Germany, for example, investments in startups in 2018 were respectively equal to approximately 7.8 and 4.1 billion dollars, while Spain announced that it had exceeded the 700-million-dollar barrier.

The impact of investments in Venture Capital on Italian GDP is very low compared with the developed country average: it currently represents less than 0.006% of GDP, a value that places the Italian economy in the lowest positions in the OECD ranking.



Total Venture Capital investments as a percentage of GDP

Source: OECD, Entrepreneurship at a Glance Highlights, 2018.

Despite Italy lagging behind compared to other European countries for venture capital investments, there are promising signs. The regulator has taken a proactive interest in innovation, with the aim of increasing the availability of funds in the Italian market and developing Italy's innovation market. The 2019 Budget Law contains various proposals, all based around five main pillars:

- an increase in the rate from 30% to 40% (deduction for individuals, deduction for legal entities);

[1] Nesta (formerly NESTA, National Endowment for Science, Technology and the Arts) - P. Miller, K. Bound, *The Startup Factories*, 2011.

- a tax deduction of 50% in the event of acquisition of 100% of the capital of an innovative startup by a legal entity;
- the increase of tax incentives, from 5% to 10% of dividends or capital gains, granted to social security funds and pension funds for investments in Venture Capital;
- The obligation for new ISPs (Individual Savings Plans) to invest at least 3.5% of their resources in Venture Capital funds;
- commitment by the State to invest 15% of the dividends of state-owned companies in the National Fund for Innovation.

All with a view to successfully mobilising up to €2 billion, a figure that would enable the Italian market to improve its competitive position in relation to other European countries.

The innovation and drive of the Italian productive fabric are also a unique opportunity for both those who are searching for new sources of growth in a global context of uncertainty and volatility, and for the Italian economy itself, which, by stimulating its most innovative startups, could find new paths for growth. According to the ANVUR Report (National Agency for the Evaluation of the University and Research System), Italy is growing in terms of scientific production and research. The Report shows that between 1993 and 2017, the number of graduates among the working age population rose from 5.5% to 16.5% and among young people aged between 25 and 34 years increased from 7.1% to 26.9%. Overall, the quality of the scientific publications of universities and research organisations is comparable to that of the main European countries. Indeed, the research conducted by ANVUR indicates that, with respect to the resources invested and the number of researchers, the quantity and quality of Italian research has improved; in fact, over the last decade Italy has seen an increase in its share of world production from 3.4% during the period 2001/2005 to 3.9% for the period 2015/2016 (latest available data), in a context in which other large European countries such as France, Germany and the United Kingdom have experienced decreases in their share, respectively from 4.5% to 4.1%, from 6.3% to 6.0% and from 7.1% to 6.8% in the same reference period.

Therefore, Italy has demonstrated that it has:

- a good level of human capital;
- availability of qualified workforce, ideal for supporting the initial development of startups;
- excellent knowledge of technology, design and creativity;
- more limited startup valuations due to the market not yet being as mature as in the rest of Europe.

The data are also substantiated by the Report by the Ministry of Economic Development in collaboration with Unioncamere and Infocamere available as at 31 December 2018, according to which 9,758 innovative startups are enrolled in the special section of the register of companies, within the meaning of Law Decree 179/2012, an increase of 111 with respect to the end of September (+1.2%) and 1,357 compared to the same period of the previous year. In terms of sectoral breakdown, 72.2% of the innovative startups provide services to businesses (in particular, in the following specialist areas: software manufacture and IT consultancy, 34%; R&D activities, 13.2%; information services, 9.3%). Of the 354,000 joint-stock companies formed in Italy in the last five years and still active, 2.75% were recorded as innovative startups at the end of 2018, compared to 2.74% in September 2018.

In addition to this phenomenon, there are also some interesting metrics in terms of employment trends and, more generally, size trends. According to the same report, 3,966 of the startups employ at least one employee (equal to 40.6% of the total), with the total number of employees down by 369 to 12,818 people, an average of 3.2 employees per company, while at least half of the startups with employees have a maximum of two employees. As at the end of 2018, the number of shareholders for the 9,604 innovative startups, for which such data is available, had risen to 41,460 (+1.4% compared to the previous quarter). On average, each startup has 4.3 shareholders, while half have a maximum of 3.

The Guarantee Fund for SMEs provides very effective support to startups. Since its first financing transaction in favour an innovative startup in September 2013, the Guarantee Fund for SMEs has approved 5,472 financing transactions, 4,219 of which were subsequently converted into loans, for just under €900 million. This has involved a total of 2,889 innovative startups (1,122 have submitted more than one request), for an average amount of approximately €200 thousand. At 31 December 2018, 2,457 innovative startups had obtained bank lending thanks to the Guarantee Fund, up by 140 compared with the previous quarter. Secondly, in the final 3 months of 2018 the Guarantee Fund for SMEs authorised 473 transactions in favour of innovative startups, 78 more than in the previous three months and the highest number in over 5 years of operation.

Company operations

LVenture Group is a holding company listed on the Borsa Italiana S.p.A. MTA market and operates in the Venture Capital sector. The majority shareholder of LVenture Group is LV.EN. Holding S.r.l. which, at 31 December 2018, holds 32.03% of its share capital. Currently, however, LVenture Group has full decision-making autonomy and is not subject to management and coordination by LV. EN. Holding S.r.l.

The company has its registered office in Rome and mainly handles investments in digital startups, supporting their growth through active and direct seed and pre-seed management.

LVenture Group's mission is to enable talents and startups with high scalability potential to reach the exit stage and thus produce profit for their shareholders.

LVenture Group aims to increase the success rate of startups and mitigate investment risk through the following main strategies:

1. limited initial funding, carried out within a framework of broad portfolio diversification and supported by possible option rights for the subscription of subsequent share capital increases;
2. support and assistance, particularly during the initial launch phase, for the development of all the aspects necessary for business activities (marketing and branding assistance, financial and legal support);
3. signing of an investment agreement that includes rights for the protection of the Company (such as veto rights on extraordinary operations, liquidation preference, or Exit protection clauses);
4. access for startups to a network of strategic relationships with investors, business angels and venture capitalists.

In order to achieve its objective, the Company's business model is built around three main cornerstones which bring added value to the growth of the startups: Accelerator, Capital&Know-how and Ecosystem.

Accelerator
The startups admitted to the Acceleration Programme develop their project within the LVenture Group Hub, where they receive five months of support - from product or service conception up to market launch - and monitoring as regards progress and the achievement of their objectives.

Capital & Know-how
With pre-seed investments, LVenture Group provides initial financial resources to the Acceleration Programme startups, which they need to develop their first business metrics, while with seed investments, the Company supports startups at the end of the Acceleration Programme, or finances startups outside the Programme that are at a more advanced phase of development. Furthermore, at the end of last year the Company started a programme called Growth-LV8, to provide marketing and technological development support to assist startups post acceleration and speed up their growth.

Ecosystem

Over the years LVenture Group has developed an ideal Ecosystem for the development and growth of its startups, consisting of collaborations and relationships with investors, companies, business and digital economy experts, universities, sponsors and partners.

Support Activities

Alongside the above-mentioned cornerstones, "Support Activities" are performed which include, inter alia, the provision of a series of services and consulting for companies and/or startups. In particular, these include:

- the **Open Innovation Programme**, which consists of a series of advisory services dedicated to companies, in particular Scouting and Incubation Programmes (including vertical programmes, focused on specific issues selected in agreement with the corporate sponsors);
- **Co-working** services;
- the **Events** organised by the Company with the aim of creating relationships between parties within the Ecosystem by acting as a "sounding board" for their activities.

The Company also backs two **Special Projects** - Loveitaly and HiTalk - through which it aims to positively influence the entire Ecosystem community and promote economic and social change that will bring real value.

Finally, in 2018 the Company continued to support the Business Angel Associations associated with its Ecosystem - Angel Partner Group (APG) and Italian Angels for Growth (IAG) -, made up of investors, professionals and managers who, investing directly in startups, believe in the driving force of entrepreneurship for the country's growth, and supported their merger, on 28 February 2019 (with APG shareholders forming part of IAG), increasing the number of Business Angels making up the Company's Ecosystem to over 200.

Ecosystem

KEY PARTNERS

SPONSORS

INVESTOR NETWORK

UNIVERSITIES & INSTITUTIONAL BODIES

LVenture GROUP

LUISS EnLabs THE STARTUP FACTORY

60+ STARTUPS

ADVISORS

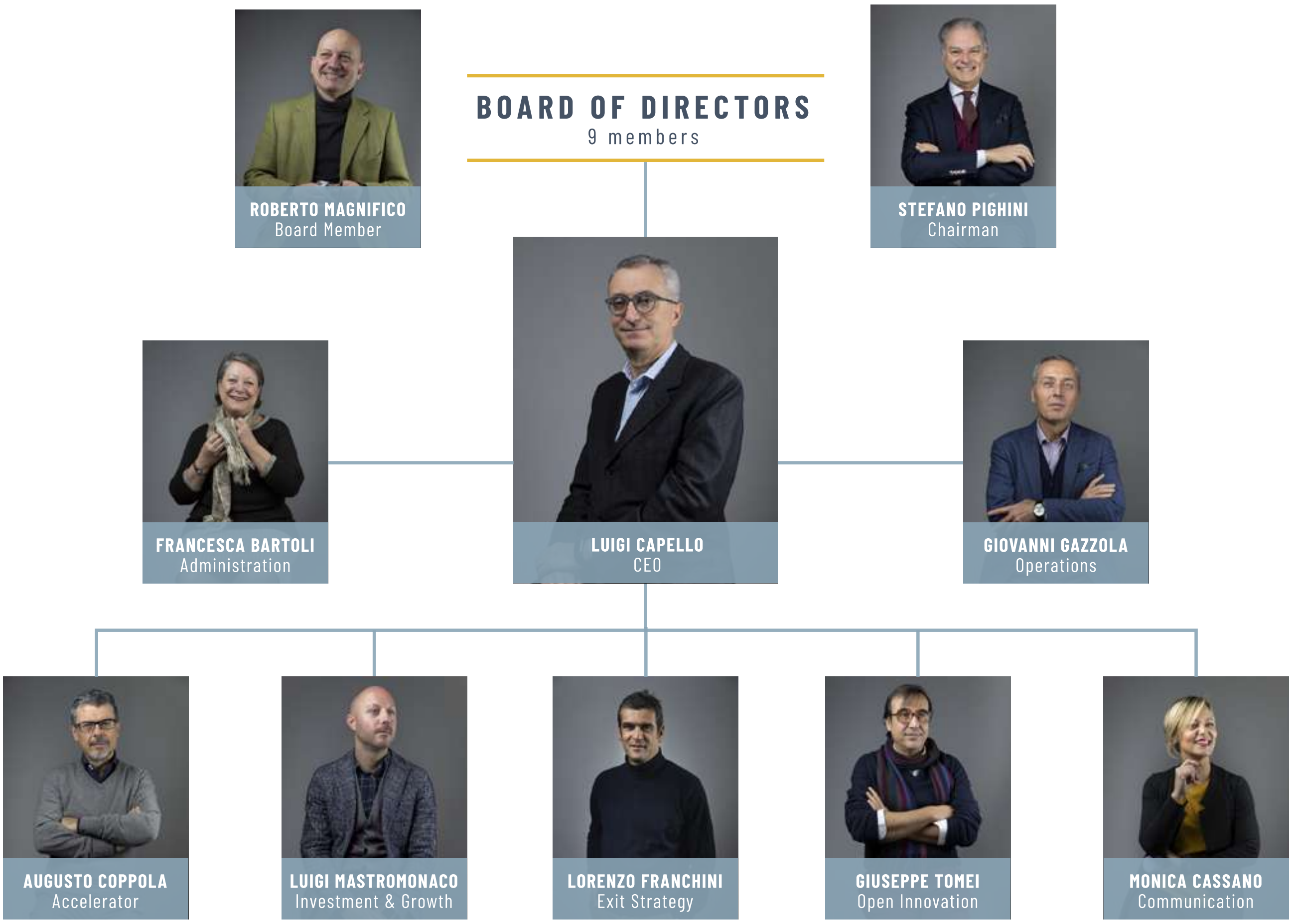
50+

INTERNATIONAL MANAGERS & ADVISORS

PARTNERS & CORPORATES

SPECIAL PROJECTS

At 31 December 2018, the Company's **Team** was comprised of 49 people. The organisational chart is shown below, illustrating the functions and their managers:

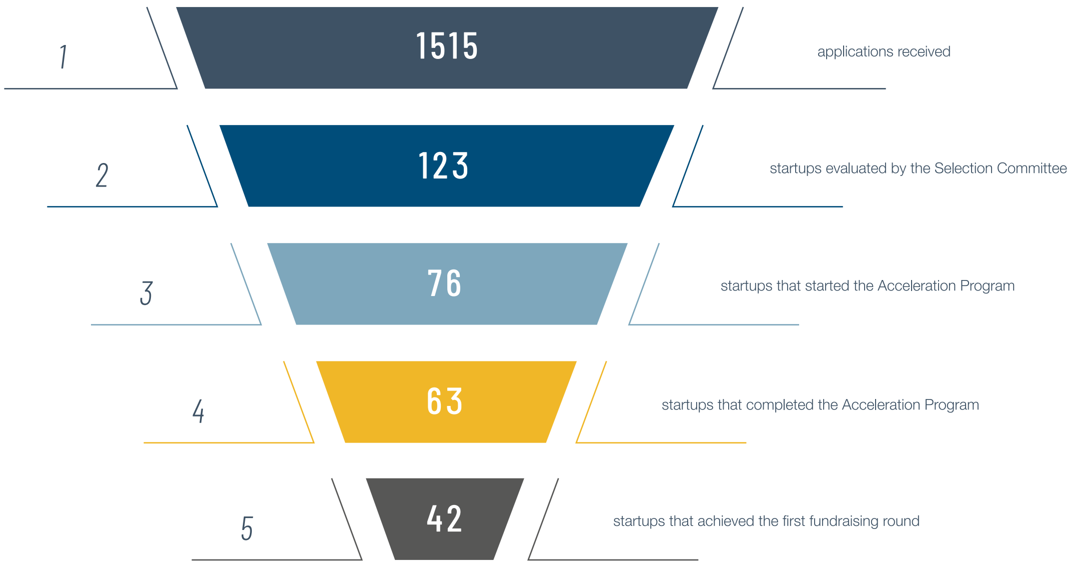


2018 events

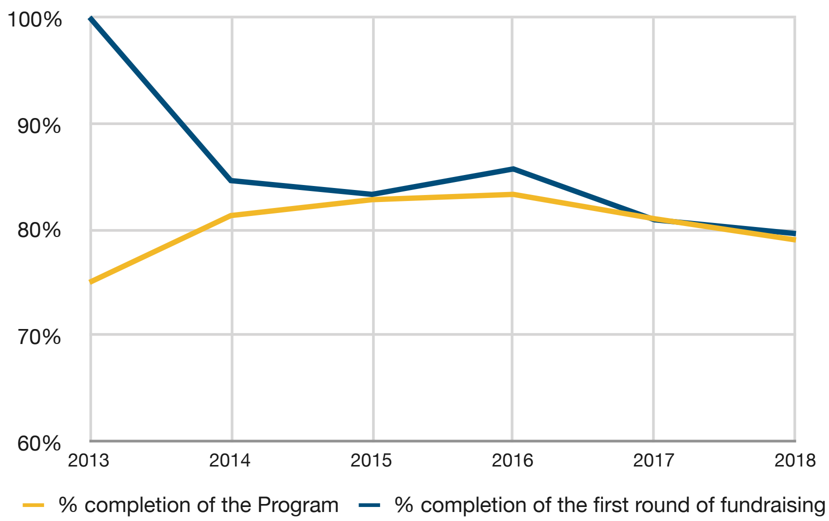
This section describes the Company's primary activities in 2018, broken down into the areas defined by the business model.

ACCELERATOR

The LUISS EnLabs Accelerator, owned by LVenture Group and developed in joint venture with LUISS University, and sponsored by Wind, BNL BNP Paribas Group, Accenture and Sara Assicurazioni, has become a true benchmark for innovation in Italy. Over the last 5 years it has accelerated more than 60 digital startups, ensuring adequate financial investment and a network of corporate and new investors to support them.
The deal-flow in2018 reached around 500 proposals, an increase of 27% compared to the previous year. It should be noted that applying to the Company's acceleration programmes is a particularly complex process in that it is an important initial selection step. The results for the period 2013-2018 are discussed below:



Around 80% of startups have completed the 5-month Acceleration Programme; of these, approximately 80% complete the first round of fund raising. The graph below shows these data for the years 2013-2018 (excluding the most recent acceleration batch presented to investors on 17 January 2019).

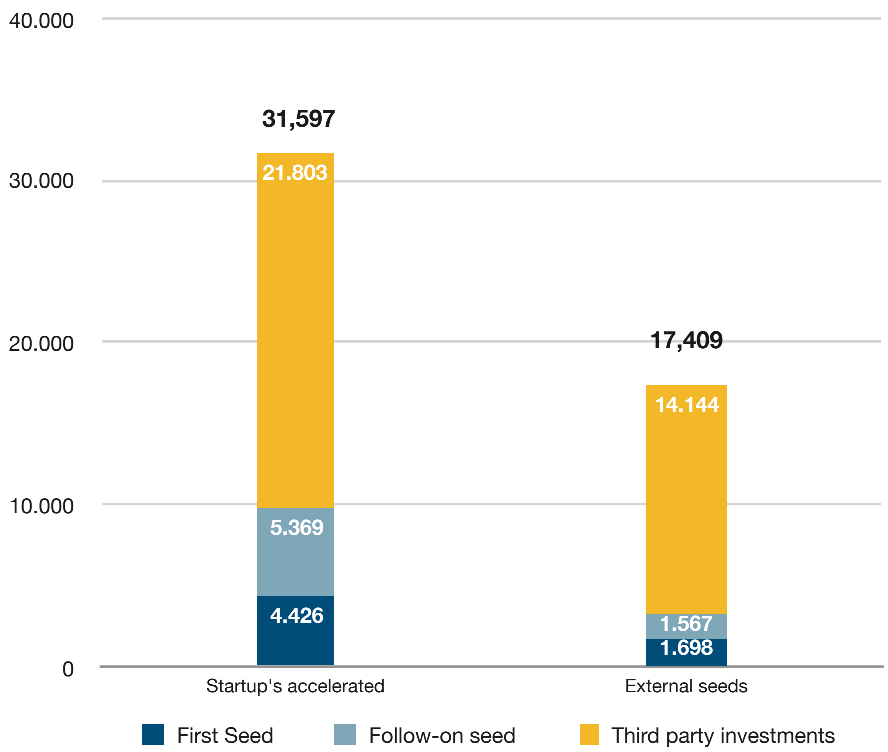


In 2018, the Company launched and completed two Acceleration Programmes, which were attended by 18 startups and completed by 16.

Each batch concluded with Demo Day, on 11 June 2018 and 17 January 2019, a now consolidated format with which LVenture Group invites investors, corporates and press to the head office in Rome, Via Marsala, to get to know the most promising startups from among those who have completed the programme. The CEOs of the young companies gave a 5-minute pitch in which they presented the results achieved over the five months, sharing the stage with successful entrepreneurs such as **Matteo Berlucchi**, CEO and Co-founder of Your MD and **Giorgio Ponticelli**, formerly JUST EAT and formerly Treatwell.

Capital and Know-how

In six years the Company has invested in over 60 startups and attracted hundreds of co-investors, as follows:



The investments made in 2018 are provided in further detail in the section "2018 results".

In 2018, LVenture launched a new format for promoting the most promising startups within its portfolio: **Investor Night**. The two held so far - on 20 March and 25 October - welcomed **Jeffrey Hedberg**, CEO of WIND Tre, to the stage and attracted the support of over 80 investors and corporate representatives, who came to the Milano LUISS Hub to get to know 15 new enterprises already active on the market.

Since 2017, the Company has supported a new programme called "**Growth - LV8**", aimed at more advanced startups and also accessible to third-party corporates.
The programme uses a team of dedicated specialists in the field of technology, digital and marketing, to define an accelerated growth strategy on a global scale.
In 2018, LV8 supported more than 20 clients, including startups - from the LVenture Group and external portfolios -, small and medium sized enterprises and large enterprises. The two activities that had the most success were the first Growth programme (described above) and a company building operation with an industrial group to support a spin-off operation.

Ecosystem

Hub

LVenture Group began operations in 2013 in a 300-m2 space with the objective of growing rapidly into a larger Hub, which would allow an Ecosystem to evolve in which startups are able to grow, prosper and become solid businesses.

In six years the offices have expanded exponentially, splitting into two with spaces in both Rome and Milan: two cities working towards a single aim, that of digital innovation in Italy.

Today the Company has a Hub of approximately 5,000 square meters in Via Marsala in Rome, as well as a space of approximately 500 square meters in the Milano LUISS Hub, and continues to pursue new expansion projects.

During the first half of 2018, LVenture Group invested further in the Rome headquarters, in order to capitalise on its positioning as a strategic ecosystem where entrepreneurial talents can work profitably in close contact with corporates and investors, and inspire each other, attending events and workshops, as part of a real community of innovators.

Facebook's decision to set up its first and only Italian e-learning centre in our Rome Hub, a meeting and exchange point for those who wish to develop their digital skills for free, further demonstrates the increased attractiveness of our Ecosystem and our Community. **Binario F from Facebook** was launched on the occasion of the **Rome Facebook Community Boost**, which took place on 9 and 10 October 2018.

Institutional and corporate events at the Hub:

In 2018, the Company hosted over 300 events organised by our partners, bringing together institutional and corporate representatives. #Aperitech events were organised in partnership with the startup Codemotion, owned by LVenture Group, involving the community and organising 150 meet-ups, in both Rome and Milan.

The LVenture Group Hub was visited by many Italian and international guests and companies.

Domestic and international agreements and partnerships

The Company renewed its support for the international **Startup Bootcamp Foodtech** Acceleration Programme, which organised its third 3-month Acceleration cycle starting in September 2018. The closing ceremony took place in December 2018 at the Paris campus Station F.

Press & Media Relations

In 2018, LVenture Group appeared in the media over 2,000 times. The company's activities were widely reported across various leading national newspapers and media sources, including Corriere della Sera, La Repubblica, La Stampa, Libero Quotidiano, Il Tempo, Il Sole 24 Ore and Milano Finanza. Note that:

- on 1 June, RAI 1 aired a programme which described the LVenture Group ecosystem as a point of reference for innovation in Italy;
- the company was included in Il Sole 24 Ore's list of 350 Italian companies that recorded higher growth in terms of turnover in the period 2014-2017, and the contextual study dedicated to LVenture Group published on 18 November;
- the company was the subject of a special report, published on 7 December, by Milano Finanza, which recognised it as a good example and a successful innovative enterprise from the Lazio Region.

The Company's main activities in 2018 are presented below, with specific reference to the Support Activities described above:

Open Innovation

From January to April 2018, the Open Innovation team led the first edition of the **AI WorkLab** incubation programme, launched in collaboration with BNL, Cerved, Cardif, Payback and Sara Assicurazioni, for innovative projects based on the use of artificial intelligence. The closing event was held on 10 April, at the WeGil space, during Rome Startup Week.

On 17 and 18 January 2018, two roadshow events were held at four departments of La Sapienza University to promote the call for the **Sapienza Incubation Programme**. The programme was developed by the LUISS EnLabs Acceleration team for the La Sapienza University of Rome Saperi & Co Project, to encourage students to develop their ideas and nurture them in a dynamic environment. In February and March the LUISS EnLabs Acceleration team trained select startups within the university, which on 27 April 2018 submitted their projects during the final event for the programme.

From January to April, the LUISS EnLabs Acceleration team ran the **UpIdea Acceleration Programme,** a bi-weekly mentoring programme held at the Unindustria Reggio Emilia offices, dedicated to startups and concluding with two Investor Days on 10 and 24 May in Reggio Emilia and Cervia, respectively.

During April and May, the online safety training programme **Cybersecurity 101** was completed. The programme included twenty training days - for a total of 58 hours - for all Sara Assicurazioni personnel at the company's main offices.

On 7 June, **BNL SmartLab**, the first day of Open Innovation Interna, was held, with workshops focusing on the lean approach and pitch techniques for the 24 Champions selected by BNL. The programme was concluded after two additional meetings in July.

SPECIAL PROJECTS

HITalk, the networking format where participants can interact with leaders in digital culture and innovation, create synergies and hear the stories of those who are changing our lives and experiences, is launching its spin-off: "Let's HITalk about…", a format built around in-depth analysis, discussion and sharing in relation to digital innovation and youth entrepreneurship that addresses the trend topics of the startup ecosystem, directly involving the reference communities, which are then the focus of different monthly events. A community for the communities within the LVenture Group Hub.

17 events took place in 2018, involving a total of approximately 650 people. The main topics addressed were: Artificial Intelligence, Web Marketing, Science and Technology, Blockchain, Online Trading and Softskills. The companies and institutions involved included: ESA - the European Space Agency, Digital Angels, Stripe, AdForm, Interactive S.a.s, LEGO.

In 2018, **LoveItaly,** a special project by LVenture Group, undertook various initiatives to continue to enhance Italy's artistic heritage.
The **"Restaur'Antonio"** fundraising campaign for the restoration of the fresco of Saint Anthony in the Basilica in Padua was successfully completed, and restoration of the precious**15th-century wooden crucifix** in the **Santa Maria Argentea Cathedral in Norcia**, damaged by the earthquake of 30 October 2016, officially began. It has played an active part in the crowdfunding campaign for the urgent restoration of the **Small Cloister of La Certosa, in Capri**, in collaboration with Friends of Certosa.
The project for the restoration of **Corrado Cagli's mural "The Race of the Berber Horses"** was presented in December at the **National Academy of Dance in Rome.** The restoration, which began on the 70th anniversary of the foundation of the National Academy of Dance (AND) in Rome, will be carried out thanks to the important partnership between the AND and the Higher Institute of Conservation and Restoration (ISCR), with the generous support of the Ruth Stanton Foundation in New York and the participation of the Corrado Cagli Archive.
New areas of support activities are currently being developed, such as the pilot project for the restoration of some parts of **Villa Farnesina**, through Corporate Social Responsibility projects, and the Italy USA Exhibition Programme, devised in partnership between LoveItaly and the American Federation of Arts (AFA), to facilitate loans of Italian masterpieces.

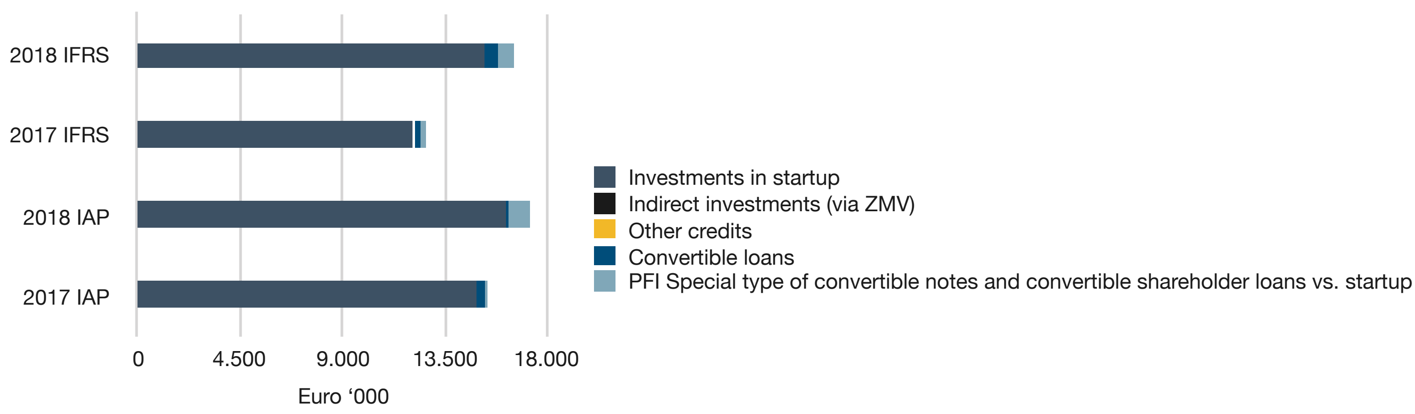
Results in 2018

Effective 1 January 2018, the Company adopted IFRS 9 to draft the financial statements. This led to a change in the accounting standards compared to those adopted in drafting the financial statements as at 31 December 2017, resulting in reclassifications and value adjustments for the financial statement items. In accordance with the provisions regarding the transition to IFRS 9, the Company has recalculated the data prior to 1 January 2018, which are presented for comparison purposes. The result for 2018 includes this change in accounting standards, benefiting from a positive effect on the income statement for the fair value measurement of startups for €2,210 thousand (€983 thousand on the restated 2017 financial statements).

INVESTMENTS

During the year, the Company made investments using a range of instruments (direct investment in the capital of startups, special type of convertible notes, convertible investments), which are therefore shown in various items in the financial statements. The total investments made by the Company valued by applying IFRS as well as the Alternative Performance Indicator are shown below to enable the reader to appreciate the growth in investments between 31 December 2017 and 31 December 2018. The individual categories are discussed separately and a complete disclosure is provided on the two valuation methods (IFRS and API) in the following paragraphs as well as in the Notes. During 2018, the Company made Micro Seed investments relating to the Acceleration Programmes and follow-ons through participation in share capital increases in startups already accelerated. No investments were made in startups outside the current portfolio (Seed investments).

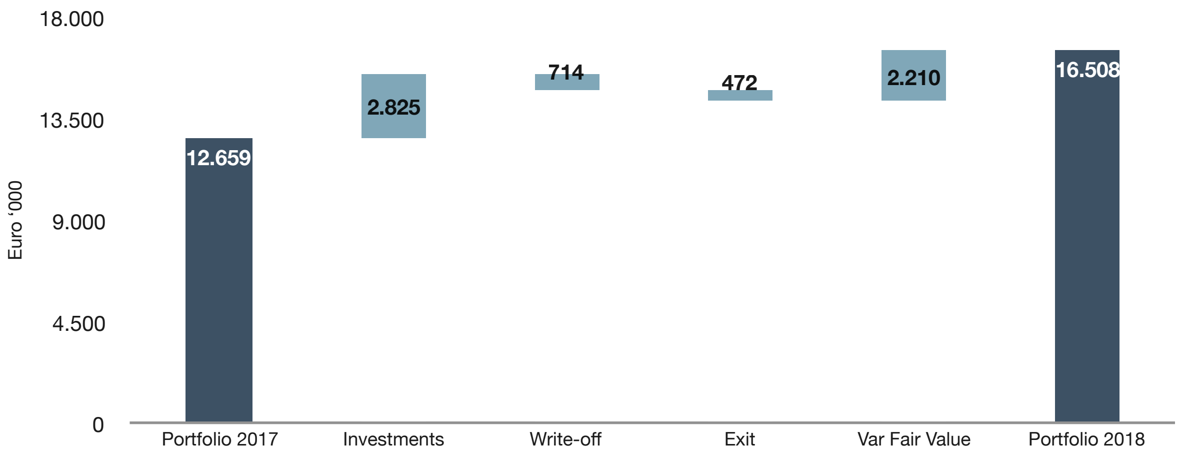
Total investments by nature



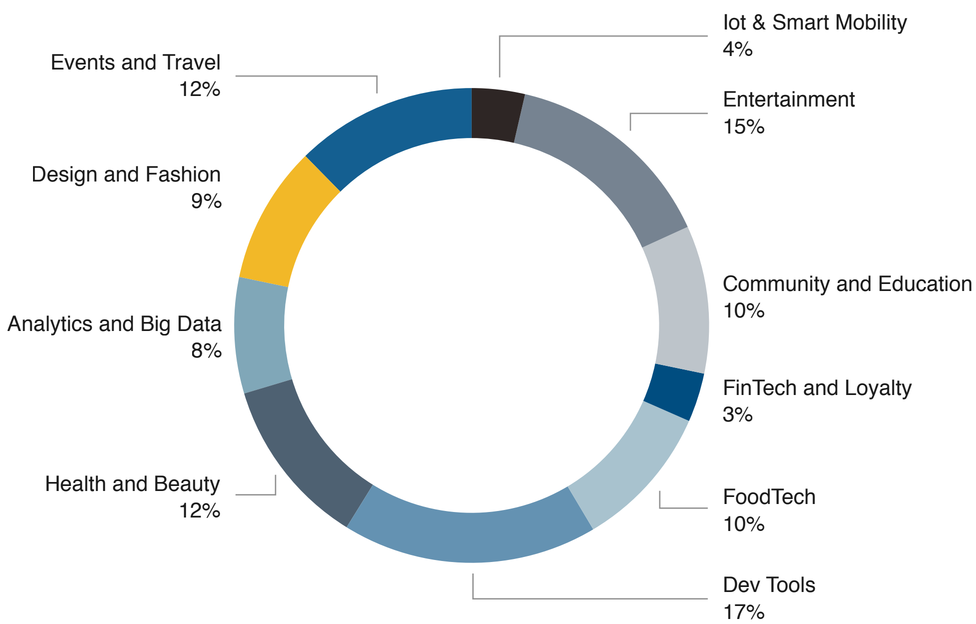
The investments for 2018 are summarised below, also broken down by investment type:

(€ thousands)	Micro Seed	Follow-on	Seed	Other	Total
Acceleration programme no. 12	640	420	0	0	1,060
Acceleration programme no. 13	672	0	0	0	672
Follow-on of startups from past acceleration programmes (APs 1-11)	0	809	0	0	809
Seed for new market startups	0	0	54	0	54
Follow-on of seed startups	0	185	0	0	185
Other investments	0	0	0	45	45
Total	**1,312**	**1,414**	**54**	**45**	**2,825**

The figure below illustrates startup portfolio growth, highlighting the contribution of net investments and that of the increase in fair value measurements (the Notes specify the portfolio valuation method).

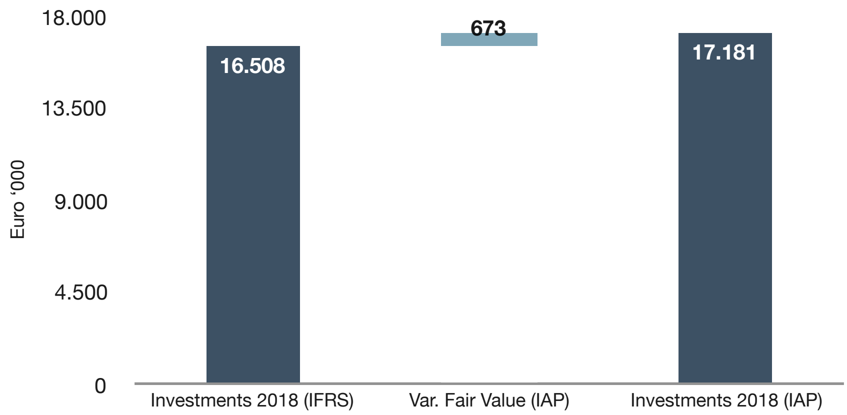


In terms of investments, the Company adopts a diversification strategy, illustrated in the figure below:



Along with the aforementioned portfolio valuation represented according to the IFRS standards, which must necessarily follow the rules set out in the IFRS/IAS, the Company provides an Alternative Performance Indicator (API) determined by applying the post-money value of the startup after the latest share capital increase. This criterion is to be considered in addition to, not in replacement of, IFRS standards.

The figure below shows the comparison of results between the two valuation methods:



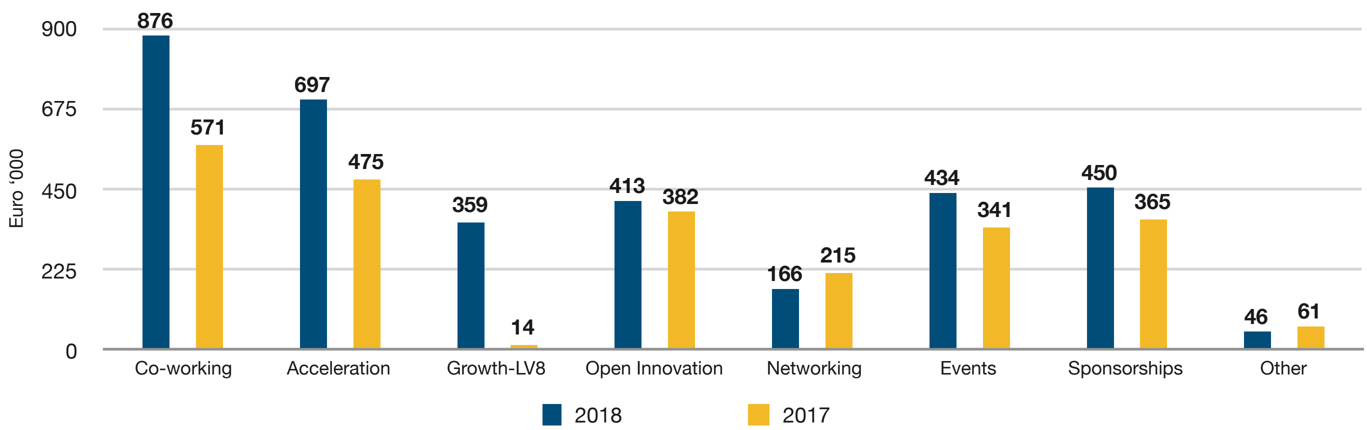
Operating result

The 2018 operating result shows a profit of €533 thousand (-€532 thousand at 31 December 2017). This result was influenced by the fair value measurements of the startups, recorded in the income statement as from 1 January 2018 as provided for by IFRS 9. The 2018 operating result benefited from this positive measurement in the amount of €2,210 thousand (€983 thousand at 31 December 2017).

Revenues

For 2018, revenues totalled €3,440 thousand, with growth of 42% compared to the same period in the prior year.

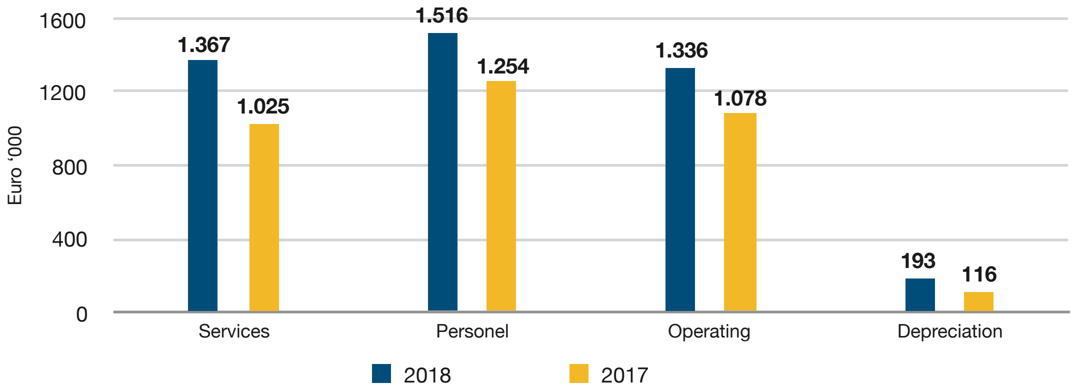
All categories of revenues are up, except Networking which is closely linked to the support that the Company is able to provide to startups in the first rounds of fundraising.



Revenues relating to Co-working are up both as a result of the full utilisation of the Rome spaces, and the renting out of the Milan spaces. The growth in revenues in 2018, compared to 2017, related to Acceleration activities, is due to the greater number of startups participating in Acceleration programmes. The new Growth-LV8 programme has achieved excellent results in its first full year of activity. Revenues from Open Innovation (which includes both vertical programmes as well as sponsorships for the Company) remained stable compared to the same period of the previous year.

Costs

The Company has had a year of organic growth and continued strengthening of the organizational structure, in terms of the resources used, skills and experience.



NET FINANCIAL POSITION AND CASH FLOW TRENDS

The net financial position at 31 December 2018 calculated in compliance with the provisions concerning net financial debt in paragraph 127 of the CESR/05-054b recommendations implementing EC Regulation 809/2004, and in line with the Consob provisions of 28 July 2006, is included in the Notes. The table below shows the main data relating to the net financial position at 31 December 2018 and 31 December 2017.

(€ thousands)	2018	2017	2017 vs. 2018	
			% change	% change
Net fixed assets	14,512	11,856	2,656	22%
Operating net working capital	-756	-160	-596	373%
Cash flows from financing activities	2,591	1,492	1,099	74%
Employee benefits - severance indemnity	0	0	0	n.a.
Net invested capital	**16,347**	**13,188**	**3,159**	**24%**
Financed by:				
Own funds	15,533	12,754	2,779	22%
Net Financial Debt	**814**	**434**	**380**	**88%**
of which medium/long-term	-2,833	-1,449	-1,384	n.a.
Debt/Equity Ratio	*0.18*	*0.11*		
Net financial position/net profit (loss) ratio	*2.03*	*-0.26*		
** Payables to related parties*	*62*	*51*		

With reference to the financial position at 31 December 2018, net invested capital rose to €16,347 thousand from €13,188 thousand at 31 December 2017, marking an increase of €3,159 thousand. This increase is the net effect of the increase of €2,656 thousand in the item "Net fixed assets", due to greater investments made in startups, the decrease of €596 thousand in the item "Net working capital" due to the trend in current receivables and payables during the reference year, and the increase of €1,099 thousand in "Cash flows from financing activities". At 31 December 2018, there were payable items to related parties of €62 thousand (€51 thousand at 31 December 2017).

The item "Own funds" rose by €2,779 thousand in 2018, following the share capital increases and the recognition of the result for the period.

"Net financial debt", represented by cash and cash equivalents in bank deposits and credit/debt lines with financial institutions, went from €434 thousand at 31 December 2017 to €814 thousand; the increase of €380 thousand is attributable to the net balance between inflows from share capital increases and new loans against outflows of resources for investments in startups and the Company's ordinary operations.

At 31 December 2018, the Company had cash and cash equivalents totalling €1,778 thousand and a bank payable for five unsecured mortgage loans received from Banca Popolare di Sondrio and Banca Intesa San Paolo totalling €2,833 thousand. The Company is up to date with its payments of instalments to the two banks.

The Company prepares the Cash Flow Statement using the direct method. A summary of the results of the Cash Flow Statement is shown below. The detailed statement is shown in the "Financial Statements" section:

CASH FLOW STATEMENT *(€ thousands)*	**2018**	**2017**
Cash flow from operations (A)	-103	-1,230
Cash flow from investments (B)	-2,877	-2,669
Cash flow from financing (C)	3,699	3,337
Free Cash Flow obtained (used)	**719**	**-563**
Opening net cash and cash equivalents	**1,058**	**1,621**
Closing net cash and cash equivalents	**1,778**	**1,058**

Main corporate transactions in 2018

SHAREHOLDERS' AGREEMENTS

With regard to shareholders' agreements, note that, on 13 March 2018, LV.EN. Holding S.r.l., the Issuer's largest shareholder which controls it pursuant to art. 2359, paragraph 1, no. 2 of the Italian Civil Code, and LUISS University (Libera Università degli Studi Sociali Guido Carli) signed an addendum to the "Investment Contract and Shareholders' Agreement" originally agreed on 5 May 2017 in relation to the Company. The Addendum contained certain additions to the previous agreements, aimed at defining procedures by which the parties presented and voted for the single list for the appointment of the Board of Directors, which took place at the Shareholders' Meeting of 27 April 2018.

Note that the LVEN/LUISS shareholders' agreements envisaged in the "Investment Contract and Shareholders' Agreement" were in effect until 1 August 2018, while the additions provided for by the Addendum became ineffective at the end of the Shareholders' Meeting on 27 April.

In compliance with legal and regulatory provisions, the notice of the amendment to the Investment Contract and Shareholders' Agreement (as a result of the introduction in the Addendum of additions relating to election procedures for the new Board of Directors) was filed with the Business Register on 13 March 2018.

COMPANY SHAREHOLDERS' MEETING

On 27 April 2018, the Ordinary and Extraordinary Shareholders' Meetings of the Company were held.

The Ordinary Shareholders' Meeting approved the Company's separate financial statements at 31 December 2017.

The Shareholders' Meeting approved the first section of the Remuneration Report prepared by the Board of Directors pursuant to art. 123-ter of Italian Legislative Decree no. 58 of 24 February 1998 (the "Consolidated Finance Act") and art. 84-quater of Consob Regulation no. 11971/1999 (the "Issuers Regulations"), concerning the Company's remuneration policy for members of the Board of Directors and the Company's key managers and the procedures used to adopt and implement this policy.

The Shareholders' Meeting appointed the members of the Board of Directors, confirming its composition of 9 members, in the persons of: Stefano Pighini, Luigi Capello, Roberto Vito, Antonio Magnifico, Livia Amidani Aliberti, Marco Giovannini, Valerio Caracciolo, Claudia Cattani, Maria Augusta Fioruzzi, and Pierluigi Pace, who were taken from the single list submitted by LV. EN. Holding S.r.l. and LUISS on 29 March 2018. The Shareholders' Meeting established the annual remuneration of the Board of Directors at €225 thousand.

The Board of Directors thus appointed will remain in office until approval of the financial statements at 31 December 2020.

At the end of the Shareholders' Meeting, the Board of Directors met to approve the appointment of Stefano Pighini as Chairman and Luigi Capello as Deputy Chairman and Chief Executive Officer, also granting the latter the operational delegations necessary to manage the Company.

On 12 October 2018, the Director Livia Amidani Aliberti resigned and, on 14 November 2018, the Board of Directors co-opted the Director Maria Mariniello. The appointment of Maria Mariniello was confirmed by the Shareholders' Meeting of 22 February 2019.

STOCK OPTIONS

Moreover, pursuant to art. 114-bis of the Consolidated Finance Act, the Shareholders' Meeting of 27 April 2018 approved the adoption of a share-based incentive plan known as "2018-2021 LVG Incentive Plan for Executive Directors and Strategic Consultants", which envisages the assignment of option rights, free of charge (the "Options"), to subscribe a maximum of 1,478,110 ordinary shares of LVenture Group, in the ratio of 1 (one) share per Option, to Executive Directors, directors with specific roles (other than independent directors), and to certain strategic consultants of the Company (the "Beneficiaries") to be identified by the Board of Directors, in order to reward the achievement of business objectives and strengthen the loyalty of these individuals to the Company, aligning the interests of the latter with those of Shareholders.

Following approval of the above, the Shareholders' Meeting approved a delegation to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, to increase the share capital, against payment, in one or more divisible tranches, each of which is also deemed divisible, to service the "2018-2021 LVG Incentive Plan for Executive Directors and Strategic Consultants", which may be exercised from 1 May 2018 until 1 January 2022, for a maximum of €1.5 million, including any share premium. Pursuant to art. 2441, paragraphs 5 and 6 of the Italian Civil Code, the share capital increase, excluding the option right, reserved to the Plan Beneficiaries, provides for the issue of a maximum of 1,478,110 new shares, with no nominal value, the subscription price of which is determined by the Board of Directors, in compliance with art. 2441, paragraphs 5 and 6, of the Italian Civil Code. The Shareholders' Meeting, granting the Board of Directors the broadest powers to implement and execute the share capital increase, simultaneously approved the amendment to art. 5 of the Company's Articles of Association.

On 12 December 2018, the Board of Directors assigned 1,478,110 options to the Beneficiaries, at a strike price of €0.62. Each Beneficiary may exercise the options allocated, only at the end of the vesting period, upon fulfilment of the qualifying condition and provided that the specific performance objectives, as identified by the Board of Directors and linked to the Company's medium to long-term targets, have been achieved, as indicated in the Information Document relating to the "2018-2021 LVG Incentive Plan for Executive Directors and Strategic Consultants". The Board of Directors chose to determine the performance objectives to which the exercise of the options is linked in relation to the increase, expressed as a percentage, between the strike price and the earn-out amount (the latter equal to the simple average of the price of the shares recorded on the MTA in the three months preceding the expiry of the vesting period, coinciding with the date 31 March 2021) recorded upon expiry of the vesting period. The exercise of the options is conditional on the fulfilment of the qualifying condition, which foresees an increase between the strike price and the earn-out amount equal to or greater than +15%. For additional vesting conditions of the option rights and their terms of exercise, reference is made to the Information Document relating to the "2018-2021 LVG Incentive Plan for Executive Directors and Strategic Consultants" published on the company's website www.lventuregroup.com.

Reserved Share Capital Increase

In the period considered, the Company's Board of Directors partially executed the mandate granted to it pursuant to art. 2443 of the Italian Civil Code by the Company's Extraordinary Shareholders' Meeting on 30 April 2014, with a share capital increase of LVenture Group, against payment, in tranches with the exclusion of the option right pursuant to art. 2441, paragraphs 5 and 6 of the Italian Civil Code and reserving this increase to strategic investors and selected professionals. The Board of Directors deemed that such Investors represent a significant opportunity, not only due to their profile as investors of high standing but, moreover, as potential strategic partners with specific experience in venture capital, capable of providing added value to the Company. These share capital increases, already put in place during 2017, were carried out in 2018 in several tranches:

- on 9 May 2018, in the amount of €1,162 thousand, of which €581 thousand to be allocated to the share capital and €581 thousand to the share premium, by issuing 1,904,918 shares, 1,524,591 of which new shares for listing and 380,327 new shares not intended for listing, all with no nominal value, and the same entitlements and characteristics as those outstanding at the issue date. The subscription price of the newly issued shares was €0.61 each, calculated on the basis of the value of shareholders' equity and taking into account the Company's average daily share price in the last six months. The shares were issued on 30 May 2018 and the certification that the share capital increase had been completed pursuant to art. 2444 of the Italian Civil Code was filed with the Rome Business Register on 31 May 2018;
- on 12 December 2018, in the amount of €1,240 thousand, of which €620 thousand to be allocated as par value and €620 thousand for the share premium, by issuing 2,000,000 shares, all with no nominal value, and the same entitlements and characteristics as those outstanding at the issue date. This share capital increase was subscribed by Futura Invest S.p.A. The subscription price of the newly issued shares was €0.62 each, calculated on the basis of the value of shareholders' equity and taking into account the Company's average daily share price in the last six months. The shares were issued on 21 December 2018 and the certification that the share capital increase had been completed pursuant to art. 2444 of the Italian Civil Code was filed with the Rome Business Register on 21 December 2018.

Due to the above-mentioned share capital increases, the equity investment of LV. EN. Holding S.r.l. in LVenture Group is equal to 32.03% at 31 December 2018.

Other Information

Financial risk disclosure

The disclosure on financial risks required under art. 2428 of the Italian Civil Code is provided in Note 8.

Information on the share capital

At 31 December 2018, the share capital of LVenture Group is broken down into 33,467,119 ordinary shares with no nominal value, all representative of the same portion of the share capital, as set forth in art. 5 of the Articles of Association; each ordinary share gives the right to one vote in the Company's ordinary and extraordinary shareholders' meetings.

The Company does not directly and/or indirectly hold shares of LV. EN. Holding S.r.l.

LVenture Group has no treasury shares in its portfolio.

Health, safety and environment

In compliance with the provisions of art. 2428, paragraph 2, of the Italian Civil Code, please note that the Company carries out its activities in compliance with environmental regulations.

Research and development

In 2018, LVenture undertook a series of technical and market analyses with the aim of fully understanding where and how investments should be made in order to streamline the delivery of the services provided.

Various surveys were carried out in order to harmonise and reduce the distances between Acceleration, Open Innovation, Investments&Growth and Communication and Coworking, with the aim of transforming the experience of Corporates, SMEs and startups that interact with LVenture, making it fully immersive and potentially without geographical barriers.

Specifically, all the tools available on the market were analysed with the aim of identifying the most appropriate open source tools. In addition, an analysis was carried out to develop an understanding of the feasibility, in technological and economic terms, of building a fully internally platform that is able to respond to the needs of the market.

Corporate governance

The Governance Model

The Company's corporate governance is based on the traditional "Latin model" system. The corporate bodies are:

- the Shareholders' Meeting, responsible for resolving in ordinary and extraordinary session on the matters placed under its responsibility by the law or the Articles of Association;
- the Board of Directors, vested with the most extensive powers for the ordinary and extraordinary management of the Company, with no limitation, with the right to carry out all deeds it deems appropriate for the enactment and achievement of the corporate purpose, excluding only those which the law places under the responsibility of the shareholders' meeting;
- the Board of Statutory Auditors, which by law is responsible for supervising i) observance of the law and the Articles of Association and compliance with the principles of proper management; ii) the adequacy of the organisational structure for the aspects within its remit, its internal control and risk management system and the administrative/accounting system, as well as the reliability of the latter to properly represent operational transactions; iii) the adequacy of the instructions provided in relation to the information to be provided to meet communication obligations; iv) the methods for actual implementation of the corporate governance rules laid out by the Corporate Governance Code for listed companies, which the Company follows. Italian Legislative Decree no. 39/2010, in the consolidated text of Legislative Decree no. 135/2016, assigns the Board of Statutory Auditors the duty of supervising, in particular, the financial reporting process, the effectiveness of the internal control, internal audit, if applicable, and risk management systems, as well as the independent audit of the annual and consolidated accounts and the independence of the independent Auditors.

In addition to the corporate bodies, there is also a Corporate officer in charge of preparing the accounting documents.

In turn, the Board of Directors formed two board committees, made up only of independent directors: i) the Control and Risk and Related Party Transactions Committee, and ii) the Remuneration Committee.

The governance model adopted by the Company is inspired by the Corporate Governance Code for listed companies promoted by the Borsa Italiana S.p.A. Corporate Governance Committee, which the Company follows, as well as the reference models represented by international best practice.

Disclosure pursuant to art. 123-bis of Italian Legislative Decree no. 58/1998 (the Consolidated Finance Act)

At its meeting on 12 March 2019, the LVenture Group S.p.A. Board of Directors approved the Annual Report on corporate governance and ownership structures for the year 2018, which provides, inter alia, the disclosure pursuant to art. 123-bis, par. 1, of the Consolidated Finance Act: the report illustrates in detail the LVenture Group corporate governance system and includes, aside from the information pursuant to art. 123-bis, paragraph 2, of the Consolidated Finance Act, a broad examination of the implementation status of the governance principles recommended by the Corporate Governance Code for listed companies, in keeping with the "comply or explain" rule.

The Annual Report on corporate governance and ownership structures, which is hereby referenced in its entirety, is made available to the public in conjunction with this Directors' Report and the financial statement documentation. It may be consulted in the "Investor Relations/Shareholders' Meetings" section of the website www.lventuregroup.com.

Disclosure pursuant to art. 123-ter of Italian Legislative Decree no. 58/1998 (the Consolidated Finance Act)

Also on 12 March 2019, the LVenture Group Board of Directors approved, in observance of art. 123-ter of the Consolidated Finance Act, as well as art. 84-quater of the Issuers' Regulations, the Remuneration Report. The Report has two sections:

- the first, dedicated to the illustration of the remuneration policy for members of the management body and key managers with reference to the year 2018, as well as the procedures used to adopt and implement that policy;
- the second, intended to provide a representation of each of the items making up remuneration and describe the remuneration paid in 2018 to members of the management and control bodies and key managers.

The Report will be submitted to the Shareholders' Meeting, called for 17 April 2019 on first call and 18 April 2019 on second call, which will be asked to provide its non-binding approval of the first section.

The Remuneration Report is available at the Company's registered office and on the website www.lventuregroup.com.

Disclosure pursuant to Consob resolution no. 17221 of 12 March 2010 (Related Party Regulation)

In 2018, the Company did not carry out transactions of greater relevance or which significantly influenced its balance sheet or profit and loss with related parties, nor were there changes or developments in the transactions described in the annual report for 2018 that generated the same effects.

All information relating to transactions with related parties in 2018 is provided in the Notes.

Management and Coordination

LVenture Group is controlled, pursuant to art. 93 of the Consolidated Finance Act, by Luigi Capello, through LV.EN. Holding, in which he holds a 53.51% stake. LV.EN. Holding, the major shareholder of LVenture Group, holds 32.03% of the Company’s share capital and exercises de facto control over it pursuant to art. 2359, paragraph 1, no. 2 of the Italian Civil Code.

Although LVenture Group is subject to the control (pursuant to art. 93 of Italian Legislative Decree 58/1998) of LV.EN. Holding, neither the latter nor any other party was involved in policy-making and/or interfered in the management of LVenture Group: indeed, de facto, the management of the Company is not influenced at all by any third parties external to LVenture Group.

LVenture Group is not subject to management and coordination by the holding company LV.EN. Holding, or any other party, pursuant to articles 2497 et seq. of the Italian Civil Code.

In compliance with principles of conduct, transactions of LVenture Group of particular strategic, economic, capital and financial significance must be jointly examined and exclusive approved by the Board of Directors of LVenture Group, which is made up of directors meeting the requirements of (non-executive and) independent directors, in light of the criteria laid out in art. 3 of the Corporate Governance Code.

It is deemed that the competence and expertise of the non-executive and independent directors and their significant weight in taking board decisions constitutes a further guarantee that all decisions of the Board of Directors will be adopted in the exclusive interest of LVenture Group and in the absence of instructions or interference from third-party stakeholders from outside the Company.

Business outlook

During 2019, the management will be involved in executing the guidelines of the **2019-2022 Business Plan**, submitted to the Board of Directors for approval on 4 March 2019.

The Business Plan aims, in particular, (a) to consolidate the Company's position as the primary operator of Early Stage Ventures in Italy and at European level, with particular reference to investment in innovative digital enterprises with high technological value, and (b) to pursue the development and enhancement of the startups in the portfolio in order to achieve significant returns on capital upon Exit.

In line with the Strategic Objectives outlined above, the following actions were identified in the Business Plan:

- equipping LVenture with sufficient capital to finance the process of investing in the most promising digital startups, possibly innovative, selected from amongst those participating in the LUISS ENLABS Acceleration Programme or identified in the market;
- promoting the Issuer's international development through joint ventures with third-party accelerators, to support the activities of the Startups and increase their value;
- expanding the Ecosystem to maximise support to the Startups;
- expanding the Issuer's spaces;
- increasing the Company's current business lines for the stabilisation and diversification of ordinary revenues, in particular by organising Open Innovation programmes;
- strengthening the Company's organisational structure, also in terms of resources used, to allow for the management of a broader volume of investments and activities than the current.

On 4 March 2019, the Board of Directors also resolved to submit to the Shareholders' Meeting, convened, in ordinary and extraordinary session, for 17 April 2019 on first call and, if necessary, 18 April 2019 on second call:

- the proposed share capital increase against payment, to be offered as an option to existing shareholders, for a maximum amount of €8 million;
- the granting of a mandate to the Board of Directors to authorise further reserved capital increases against payment, excluding the option right, for a maximum of €8 million to be carried out in the five years subsequent to the above mentioned Shareholders' Meeting.

So as to:

(i) provide the Company with the financial resources necessary to achieve the strategic objectives set out in the Business Plan;

(ii) accelerate the business growth of the Company, both nationally and internationally;

(iii) support the international development of the startups within the Company's portfolio, with a subsequent expected growth in their value.

Proposed resolution

Dear Shareholders,

We invite you to approve the following resolution.

"The Shareholders' Meeting:

- acknowledging the Report of the Board of Directors on operations;
- acknowledging the Report of the Board of Statutory Auditors;
- acknowledging the Report of the Independent Auditors;
- having examined the Financial Statements at 31 December 2018, which closed with a profit for the year of €401,094.49 (loss of €1,642,358.87 at 31 December 2017);

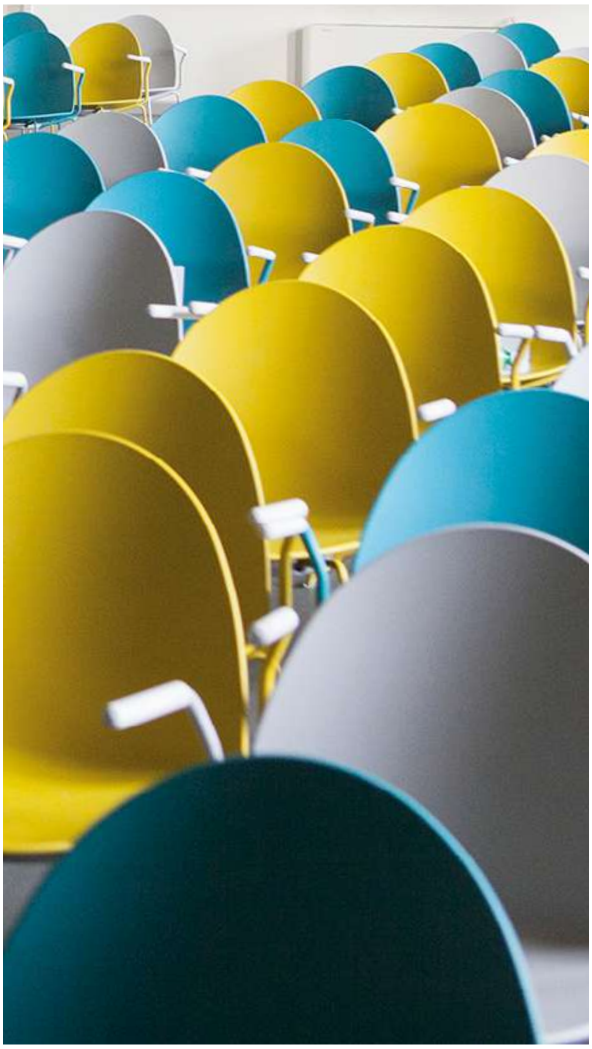
resolves

- to approve the Balance Sheet, Income Statement and the Notes to the Financial Statements for the year ending at 31 December 2018, which show a profit for the year of €401,094.49, as presented by the Board of Directors overall, in terms of the individual items and with the provisions proposed;
- to cover losses for the year, to the extent of €934,350.26, by using the "Share premium reserve";
- to allocate 5% of the profit for the year, in the amount of €20,054.72, to the "Legal reserve";
- to allocate the remaining part of the profit for the year, in the amount of €381,039.77, to the "Undivided profits reserve";
- to transfer the profits arising from the first-time application of IFRS 9, in the amount of €3,960,376.00, to the "Undivided profits reserve".

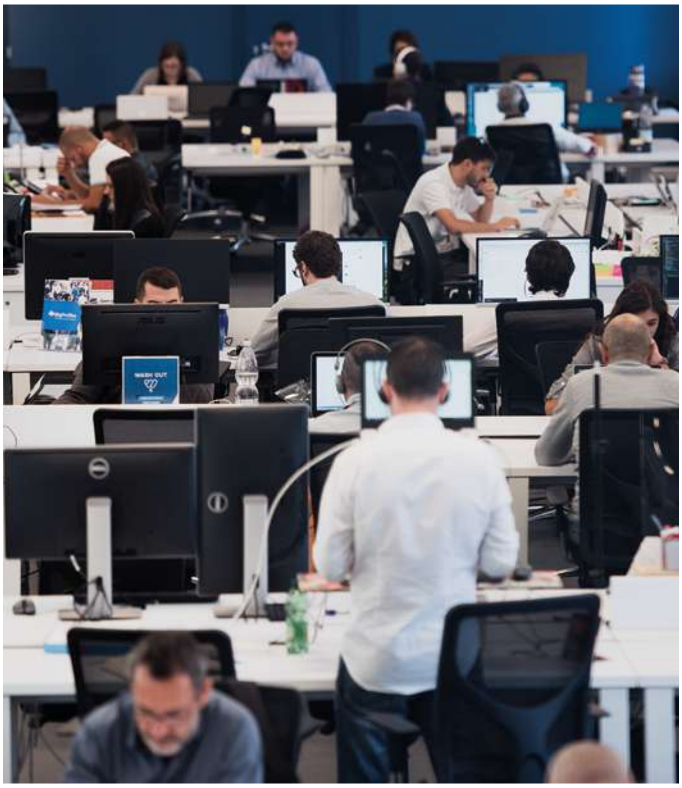
Rome, 12 March 2019

On behalf of the Board of Directors

Stefano Pighini



Financial Statements


WASH OUT

LVenture
GROUP
LUISSEnLabs
THE STARTUP FACTORY

LVenture
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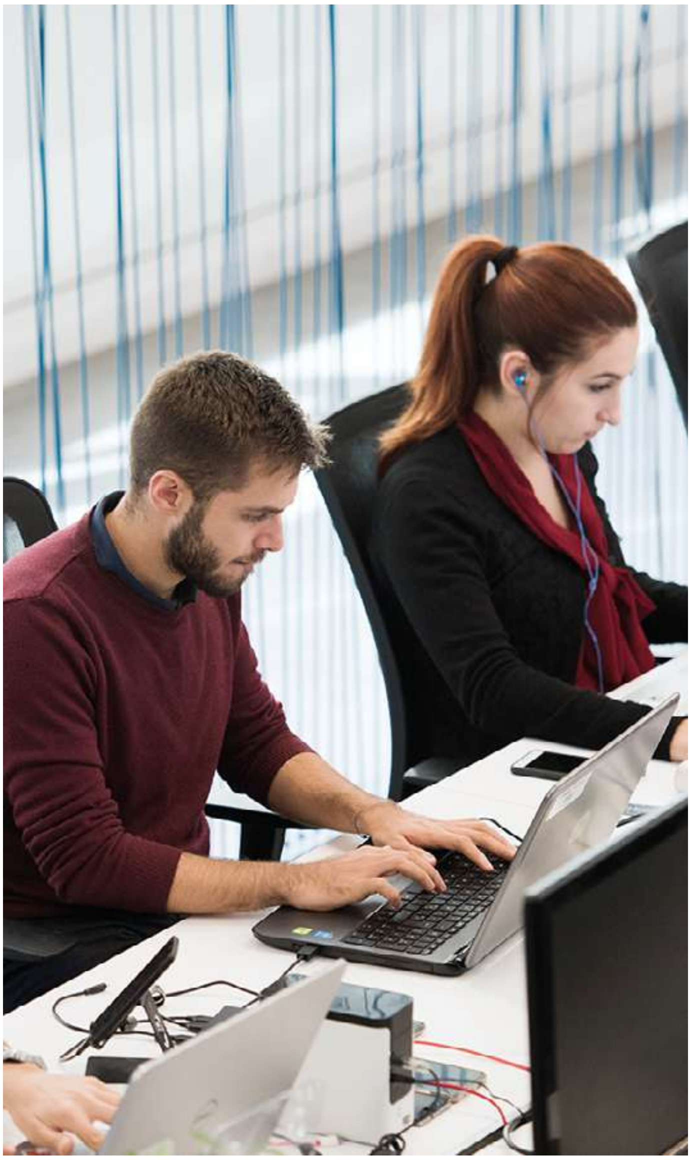
LUISSEnLabs
THE STARTUP FACTORY


FINANCIAL STATEMENTS

NOTES	BALANCE SHEET *in Euro '000*	2018	2017*
	ASSETS		
	NON-CURRENT ASSETS		
8	Property, plant and equipment and other machinery	662	456
9	Goodwill and other intangible assets	105	123
10	Securities and equity investments	15,203	12,099
11	Receivables and other non-current assets	1,305	560
12	Deferred tax assets	148	148
	TOTAL NON-CURRENT ASSETS	**17,423**	**13,386**
	CURRENT ASSETS		
13	Trade receivables	926	705
14	Current financial assets	272	0
15	Other receivables and current assets	188	142
16	Cash and cash equivalents	1,778	1,058
	TOTAL CURRENT ASSETS	**3,163**	**1,906**
	TOTAL ASSETS	**20,586**	**15,292**
	LIABILITIES		
16	**SHAREHOLDERS' EQUITY**		
	Share capital	10,932	9,731
	Other reserves	1,174	1,270
	Profit (loss) carried forward	3,026	2,423
	Net profit (loss)	401	-671
	TOTAL SHAREHOLDERS' EQUITY	**15,533**	**12,754**
	NON-CURRENT LIABILITIES		
17	Non-current payables to banks	2,833	1,449
	Other non-current financial liabilities	0	0
	Other non-current liabilities	3	33
	Provisions for risks and charges	0	0
	Provisions for employee benefits	0	0
18	Deferred tax liabilities	75	48
	TOTAL NON-CURRENT LIABILITIES	**2,911**	**1,530**
	CURRENT LIABILITIES		
	Current payables to banks	0	0
	Other current financial liabilities	26	9
19	Trade and other payables	875	637
20	Tax payables	141	32
21	Other current liabilities	1,100	330
	TOTAL CURRENT LIABILITIES	**2,142**	**1,008**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**20,586**	**15,292**

* Values recalculated according to the provisions of IAS 8.

Financial Statements at 31 December 2018

NOTES	INCOME STATEMENT *in Euro '000*	2018	2017*
22	Revenues and other income	3,440	2,424
23	Costs for services	-1,367	-1,025
24	Personnel costs	-1,516	-1,254
25	Other operating costs	-1,336	-1,078
	Gross operating margin	**-779**	**-933**
26	Depreciation and impairment losses on tangible assets	-175	-106
	Amortisation and impairment losses on intangible assets	-18	-10
27	Provisions and write-downs	-54	-46
28	Realised gains/losses on investments	-651	-420
29	Revaluations/Impairment at fair value	2,210	983
	Operating result	**533**	**-532**
30	Financial income	0	0
31	Financial expenses	-89	-32
32	Other income and expenses	-16	-2
	Pre-tax profit (loss)	**428**	**-566**
33	Income taxes	-27	-105
	Net profit (loss)	**401**	**-671**

STATEMENT OF COMPREHENSIVE INCOME *in Euro '000*	2018	2017*
Net profit (loss)	**401**	**-671**
Other comprehensive income net of taxes		
- Effect of the effective portion of gains and losses on hedging instruments in a cash flow hedge	-17	-9
Total other comprehensive income net of taxes	**-17**	**-9**
Comprehensive income	**384**	**-680**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY *in Euro '000*	Share capital	Share-premium reserve	Fair Value Reserves*	Reserve for Stock Option Plan	Profit (loss) carried forward*	Profit (loss) for the year	Closing balance*
Balance at 31/12/2016	**8,445**	**1,842**	**2,989**	**0**	**-510**	**-1,899**	**10,867**
Share capital issue	1,287	1,274	0	0	0	0	2,561
Coverage of losses	0	-1,842	0	0	-56	1,899	1
Increase/Decrease in Fair Value Reserve	0	0	963	5	0	0	968
Profit (loss) from previous years	0	0	0	0	0	0	0
Total profit (loss) for the year	0	0	0	0	0	-1,642	-1,642
Balance 31/12/2017	**9,732**	**1,274**	**3,952**	**5**	**-566**	**-1,642**	**12,755**
Change according to the provisions of	0	0	-3,961	0	2,989	972	0
Share capital issue	1,200	1,152	0	0	0	0	2,352
Coverage of losses	0	-1,274	0	0	603	670	-1
Fair Value Measurement financial	0	0	-17	43	0	0	26
Profit (loss) from previous years	0	0	0	0	0	0	0
Profit (loss) for the year	0	0	0	0	0	401	401
Balance at 31/12/2018	**10,932**	**1,152**	**-26**	**48**	**3,026**	**401**	**15,533**

* Values recalculated according to the provisions of IAS 8.

CASH FLOW STATEMENT *in Euro '000*	2018	2017
Cash flow from operations		
Collections from customers	4,682	2,717
Other collections	44	73
(Payments to suppliers)	-2,712	-2,405
(Payments to personnel)	-1,824	-1,414
(Other payments)	-191	-198
(Legally mandatory/tax charges)	-102	-3
Interest collected/(paid)	0	0
Cash flow from operations (A)	**-103**	**-1,230**
Cash flow from investments		
Property, plant and equipment		
(Investments)	-345	-170
Divestment sale price	0	0
Intangible assets		
(Investments)	0	0
Divestment sale price	0	0
Financial fixed assets		
(Investments)	-2,825	-2,627
Divestment sale price	293	127
Cash flow from investments (B)	**-2,877**	**-2,669**
Cash flow from financing		
Third party funds		
New loans	1,588	916
(Repayment of loans)	-210	-125
(Interest paid on loans)	-80	-27
Own funds		
Share capital increase against payment	2,402	2,573
Sale (purchase) of treasury shares	0	0
Dividends (and advances on dividends) paid	0	0
Cash flow from financing (C)	**3,699**	**3,337**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**719**	**-563**
Opening cash and cash equivalents	**1,058**	**1,621**
Closing cash and cash equivalents	**1,778**	**1,058**

1. General notes

LVenture Group operates at national and international level in the Venture Capital sector. The Company's mission is to generate value for its shareholders by transforming young startups into successful companies.

LVenture Group, with registered office in Via Marsala 29H, Rome, is listed on the MTA market of Borsa Italiana S.p.A.

At 31 December 2018, **32.03%** of the share capital of LVenture Group is held by LV.EN. Holding Srl.

The Financial Statements at 31 December 2018 were approved by the Board of Directors of LVenture Group on 12 March 2019 and were audited by the Independent Auditors Baker Tilly Revisa S.p.A.

2. Comparison data

Effective 1 January 2018, the Company adopted IFRS 9 to draft the financial statements. This led to a change in the accounting standards compared to those adopted in drafting the financial statements as at 31 December 2017, resulting in reclassifications and value adjustments for the financial statement items. In accordance with the provisions regarding the transition to IFRS 9, the Company has recalculated the data prior to 1 January 2018, which are presented for comparison purposes (please refer to the table in point 6).

3. Use of estimates and causes of uncertainty

The Financial Statements were prepared in accordance with IAS/IFRS, which require the directors to develop estimates, opinions and assumptions that have an effect on the amount of assets and liabilities, the disclosure relating to contingent assets and liabilities and the value of revenues and costs reported in the period presented. The estimates and assumptions used are based on elements known at the reporting date, historical experience and any other elements deemed relevant.

The situation caused by the current phase of economic and financial uncertainty has made it necessary to make assumptions regarding future trends. Therefore, it cannot be ruled out that the coming year may bring different results to those estimated and hence that adjustments, which currently cannot be estimated or predicted and may turn out to be significant, may need to be made in the carrying amounts of items relating to equity investments in startups, and more specifically Securities and equity investments. In particular, with regard to:

- the use of estimates of Level 3 fair value (lacking active markets for the cases in point) which, by definition involve greater uncertainty in determining the fair value;
- the uncertainty regarding the exit timing and the resulting possibility that the fair value estimates are impacted by that situation.

4. General reporting criteria

The Separate Financial Statements were drawn up in compliance with the IAS/IFRS (International Accounting Standards – IAS – and International Financial Reporting Standards – IFRS) issued by the IASB, on the basis of the text published in the Official Journal of the European Community (OJEC). The IFRSs also include all the revised international accounting standards ("IAS") and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The Notes to the Financial Statements were supplemented with the additional disclosures required by CONSOB and the measures issued in implementation of art. 9 of Italian Legislative Decree 38/2005 (resolutions 15519 and 15520 of 27 July 2006 and communication DEM/6064293 of 28 July 2006, pursuant to art. 114, paragraph 5 of the Consolidated Finance Act), art. 78 of the Issuers' Regulations and the EC document of November 2003 and, when applicable, the Italian Civil Code. In line with the Financial Statements from last year, some information is contained in the Directors' Report on operations.

The Separate Financial Statements have been prepared based on the assumption of the Company's ability to continue as a going concern and include the statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and the relative notes. The Separate Financial Statements were drafted in thousands of euros.

For the presentation of profit and loss results, the Company uses an income statement that recognises components of revenues and costs by nature. In the income statement, as in the interim reports, EBITDA (earnings before interest, taxes, depreciation and amortisation) and EBIT (earnings before interest and taxes) are shown, as indicators deemed representative of company performance. In addition, the statement of comprehensive income is also prepared, which also includes the economic items that are not recognised in the income statement and directly impact the specific items of shareholders' equity. The transactions represented in the statement of comprehensive income are shown net of the relative tax effect.

In the balance sheet, the Company presents current assets and liabilities, which are expected to be realised or settled during the normal operating cycle, separately from non-current items. The statements outlined above, appropriately supplemented by the Notes, accompanied by the Directors' Report, are deemed those which are capable of best providing a structured representation of the financial position and profit and loss of the Company. If, due to a new standard, a change in the nature of transactions or a restatement of the financial statements, it is necessary or appropriate to make a change in the financial statement items to provide reliable and more relevant information for users of the financial statements, the comparative data will be reclassified accordingly in order to improve the comparability of information from different years. In this case, if significant, an appropriate disclosure will be provided in the notes.

Pursuant to art. 3 of Consob Resolution no. 18079 of 20 January 2012, please note that the Company relied on the exemption laid out in arts. 70, paragraph 8 and 71, paragraph 1-bis of Consob Reg. no. 11971/99 (as amended) with reference to the provision to the public at the registered office of documentation concerning mergers, spin-offs, share capital increases, acquisitions and disposals.

5. Alternative Performance Indicator (API)

In order to provide stakeholders with an alternative measure for Portfolio performance, it was deemed important to supplement the financial reporting with an Alternative Performance Indicator (API) which represents the Portfolio value on the basis of the most recent capital transactions taking place in the reference period, also considering the issue of hybrid financial instruments. Please note that although this indicator represents a useful parameter to provide an indicative Portfolio valuation in line with sector best practices, it does not replace IAS/IFRS valuation criteria applied to determine the value of the investment portfolio recognised in the financial statements. Therefore, that alternative valuation of the investment portfolio is used by the Company only for the purpose of monitoring the performance of the Portfolio and enabling a comparison with competitors.

The Company determines the alternative performance indicator as follows:

a. in the presence of any share capital increase (fully subscribed and paid up, even partially, but with the obligation to pay) in which there are third-party investors, the post-money valuation is used as an indicator of a market value of the startup;

b. in the presence of a share capital increase, or another transaction on the share capital of the startup not completely finalised or which takes place in tranches or another transaction on the startup's share capital (also including the issue of convertible debt financial instruments) in which there are third-party investors not complying with the previous clauses, the pre-money valuation is used plus the cash inflows paid in at the cut-off date, as an indicator of a market value of the startup;

c. if in the last 12 months no transaction took place on the share capital and there are no negative performance indicators, the previous valuation is maintained;

d. in the previous case and if there are negative performance indicators, the startup is valued at cost or at a value lower than cost on the basis of the possibility for the Company to recover its investment.

6. Measurement criteria and accounting standards

The accounting standards adopted in preparing these Separate Financial Statements are consistent with those applied to prepare the Separate Financial Statements at 31 December 2017, with the exception of what is laid out below with respect to the new accounting standards, amendments and interpretations applicable as of 1 January 2018.

As required by Consob communication no. 0007780 of 28 January 2016 and the public statement published on 27 October 2015 by ESMA, "European common enforcement priorities for 2015 financial statements", in relation to the disclosure that listed companies must provide in financial reporting at 31 December 2015 and subsequently, specific information is provided below on the accounting standards, the policies adopted and the measurements made by the Company, by providing, for example, a detailed description of relevant and directly applicable accounting standards, specifying how these standards were adopted by the Company and avoiding the mere reproduction of what is established in the standards. As a result, the accounting standards not adopted by the Company in the preparation of the Separate Financial Statements are not mentioned.

Accounting standards, amendments and interpretations endorsed by the European Union and applicable at 1 January 2018 that are applied for the first time in the Company's 2018 Financial Statements:

IFRS 9 - "Financial Instruments": On 24 July 2014, IASB published the final document, which represents the conclusion of the process, divided into three phases "Classification and Measurement", "Impairment" and "General Hedge Accounting", of the full revision of IAS 39. The document introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, for financial assets, the new standard uses a single approach based on the entity's method of managing the financial instruments and on the financial asset's contractual cash flow characteristics in order to determine the measurement criteria, replacing the different rules set out in IAS 39. For financial liabilities, the main change regards the accounting treatment of changes in fair value of a financial liability designated at fair value through profit and loss, where these are due to the change in the creditworthiness of the financial liability. According to the new standard, those changes must be recognised under other comprehensive income, without passing through the income statement.

The main changes regarding hedge accounting are:

- changes in the types of transactions eligible for hedge accounting; specifically, the risks of non-financial assets/ liabilities eligible for hedge accounting have been expanded;
- changes in the method of accounting for forward contracts and the options included in a hedging relationship, in order to reduce the volatility of the income statement;
- changes to the effectiveness test, replacing the current method based on the 80-125% parameter with the principle of the "economic relationship" between the hedged item and the hedging instrument; moreover, the assessment of the retrospective effectiveness of the hedge is no longer required.

The greater flexibility in the accounting rules is balanced by additional requests for disclosure on risk management activities implemented by the company. The new document includes a single model for impairment of financial assets based on expected losses.

The Company's equity investments in startups do not meet the requirements of articles 4.1.2 and 4.1.3 of IFRS 9, and, thus, are measured at fair value, recognised in profit and loss for the year.

IFRS 9 was adopted effective 1 January 2018, the notes to the relevant items include comments in relation to the first application, and the 2017 data presented for comparison purposes have been recalculated as required by IAS 8.

SHAREHOLDERS' EQUITY in Euro '000	31-Dec-17 Reported	Change	31-Dec-17 Adjusted
Share capital	9,731	0	9,731
Other reserves	5,230	-3,960	1,270
Profit (loss) carried forward	-566	2,989	2,423
Net profit (loss)	-1,642	971	-671
TOTAL SHAREHOLDERS' EQUITY	**12,754**	**0**	**12,754**

INCOME STATEMENT in Euro '000	31-Dec-17 Reported	Change	31-Dec-17 Adjusted
Revenues and other income	2,424	0	2,424
Costs for services	-1,025	0	-1,025
Personnel costs	-1,254	0	-1,254
Other operating costs	-1,078	0	-1,078
Gross operating margin	**-933**	**0**	**-933**
Depreciation and impairment losses on tangible assets	-106	0	-106
Amortisation and impairment losses on intangible assets	-10	0	-10
Provisions and write-downs	-46	0	-46
Realised gains/losses on investments	0	-420	-420
Revaluations/Impairment at fair value	-420	1,403	983
Operating result	**-1,515**	**983**	**-532**
Financial income	0	0	0
Financial expenses	-32	0	-32
Other income and expenses	-2	0	-3
Pre-tax profit (loss)	**-1,549**	**983**	**-566**
Income taxes	-93	-12	-105
Net profit (loss)	**-1,642**	**971**	**-671**

IFRS 15 - "Revenue from Contracts with Customers". On 28 May 2014, IASB published the document that requires a company to recognise revenues at the moment that control over the assets or services is transferred to customers, at an amount that reflects the consideration expected to be received in exchange for such products or services. To this end, the new model for the recognition of revenues defines a five-step process:

a. identification of the contract with a customer;

b. identification of the performance obligation;
c. determination of the transaction price;
d. allocation of the transaction price to the performance obligations;
e. recognition of revenue when (or as) the entity satisfies a performance obligation.

The new standard also requires additional information about nature, amount, timing and uncertainty concerning revenues and cash flows deriving from agreements with customers. The IASB expects the new standard to be adopted in 2018 and it was validated by the European Union on 22 September 2016. Moreover, IASB published amendments to the standard of 12 April 2016: Clarifications to IFRS 15 “Revenue from Contracts with Customers”, also applicable from 1 January 2018. The purpose of these amendments is to clarify the methods for identifying the company as the “Principal” or as the “Agent” and determining whether revenues from licensing must be discounted for the duration thereof.

The Company has adopted the new standard, but no changes were made to the annual data compared to previous periods, as the Company was already operating in line with the instructions of IFRS 15.

Accounting standards, amendments and interpretations endorsed by the European Union and applicable as of 1 January 2019 that have not been subject to early adoption by the Company:

IFRS 16 – Leases. On 13 January 2016 the IASB published a document on the accounting of leases. With the removal of the distinction between operating leases and financial leases as per IFRS 17, this new standard, in force as from 1 January 2019, results in a substantial alignment from an accounting point of view between the aforementioned two types of lease.

Compared to the previous accounting standard IAS 17, the most notable change lies in the distinction (to be carried out on initial recognition of the lease in the financial statements) between lease agreements and service agreements, an assessment of which must be made each time that the terms and conditions of the agreement are modified/integrated with respect to the original.

The Company has identified only one contract to which IFRS 16 could be applied, which currently has an annual cost of approximately €800 thousand. Assessment of the actual applicability of the new standard is still in progress.

Accounting standards, amendments and interpretations published by the IASB but not yet endorsed by the European Union:

- **Amendments to IFRS 10 and IAS 28**: “Sale or Contribution of Asset between an Investor and its Associate or Joint Venture” (issued on 11 September 2014). The purpose of the document is to resolve a conflict between the provisions of IFRS 10 and IAS 28 in the event that an investor sells or contributes a business to its associate or joint venture, requiring the recording of the gain or loss resulting from the loss of control in full at the time of the sale or contribution of the business, or partially in the event that this involves only individual assets. IASB deferred the adoption of this amendment until its project on the equity method has been completed. Based on an initial examination, the possible future adoption of that standard should not have a significant impact on the Company’s financial statements.
- **Amendments to IAS 40:** “regarding transfers of investment property”. Document issued by IASB on 8 December 2016 with effective date of 1 January 2018. The amendment entails the following: i) paragraph 57 of IAS 40 is amended to state that an entity shall transfer a property to, or from, investment property only when there is evidence of a change in use, ii) the list of evidence in paragraph 57 (a) – (d) is designated as a non-exhaustive list of examples. Based on an initial examination, the possible future adoption of that standard should not have a significant impact on the Company’s financial statements.
- **IFRIC 22:** “Foreign Currency Transactions and Advance Consideration”. Document issued by IASB on 8 December 2016 which covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The IASB expects to adopt this on 1 January 2018. Based on an initial examination, the possible future adoption of that interpretation should not have a significant impact on the Company’s financial statements.
- **“Annual improvements to IFRSs: 2014-2016 Cycle”.** Document issued by IASB on 8 December 2016 with effective date of 1 January 2018. The work involved: i) IFRS 1 - the short-term exemptions set out in paragraphs E3-E7 have been deleted, because they have now served their intended purpose; ii) IFRS 12 - the scope of the standard has been clarified by specifying that the disclosure requirements, except for those in paragraphs B10-B16, apply to an entity’s interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5; iii) IAS 28 - it was clarified that the election to measure at fair value through profit and loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation is available for each investment in an associate or joint venture upon initial recognition. Based on an initial examination, the possible future adoption of that standard should not have a significant impact on the Company’s financial statements.

6.1. Transactions in foreign currency

i. Functional and presentation currency. All items included in the Company's Separate Financial Statements are measured by using the currency of the main economic environment in which the entity operates (functional currency). The Separate Financial Statements are presented in Euro (rounded to the nearest thousand), as this is the currency in which the majority of the Company's transactions are carried out.

ii. Transactions in foreign currency. The Company's Separate Financial Statements were prepared in the functional currency of the business. In preparing the financial statements, transactions in foreign currency are converted to the functional currency by applying the exchange rate in force at the transaction date. Monetary assets and liabilities in foreign currency existing at the reporting date are converted using the exchange rate in force at the closing date; non-monetary assets and liabilities, measured at historical cost in foreign currency, are converted using the exchange rate in force at the transaction date.

Foreign exchange differences deriving from the conversion of monetary assets and liabilities at the reporting date are recognised in the income statement.

The rates applied are shown in the table below:

	Closing exchange rate	Average exchange rate
US dollar/EURO	1.145	1.1721

6.2. Intangible assets (IAS 38)

Intangible assets other than goodwill

Intangible assets consist of identifiable non-monetary elements with no physical consistency, which may be controlled and can generate future economic benefits. These elements are recognised at acquisition and/or production cost, inclusive of directly attributable expenses to make the asset ready for use, net of cumulative amortisation and any impairment losses. Amortisation begins at the moment in which the asset is available for use and is broken down systematically over the remaining period during which it will be possible to use the asset, i.e., based on its estimated useful life.

Goodwill

Goodwill represents the difference between the cost incurred for the acquisition of a controlling interest (of a set of assets) and the fair value of the assets and liabilities identified upon acquisition. Goodwill is not amortised, but is tested for impairment at least once per year. Any decline in the value of goodwill is recognised if the recoverable amount of the goodwill is lower than its carrying amount in the financial statements. Recoverable amount refers to the higher of the fair value, net of costs to sell, and the relative value in use. Any impairment losses recognised on goodwill cannot be reversed subsequently.

The goodwill recognised in the consolidated financial statements in 2013 due to the purchase price allocation (PPA) caused by the merger by incorporation of LVenture S.r.l. (single shareholder) into the Company was attributed to the subsidiary EnLabs. After the merger by incorporation of the subsidiary, the goodwill was maintained and allocated to the Acceleration cash generating unit.

6.3. Property, plant and equipment (IAS 16)

Property, plant and equipment are recognised at the acquisition price, inclusive of directly attributable accessory costs necessary to make the asset ready for the use for which it was acquired. Assets consisting of components of a significant amount and with different useful lives are considered separately in the determination of depreciation. Depreciation is calculated on a straight-line basis based on the estimated useful life of the asset for the company, which is reviewed every year. The following depreciation rates are used:

Furnishings	12%
IT hardware	20%
Leasehold improvements	20% (duration of the lease agreement)
Other assets	12% – 20%

Upon the occurrence of events which make it reasonable to believe that the asset value has declined, its relative carrying amount is verified by comparing it with the "recoverable" amount, represented by the greater of the fair value and the value in use. The fair value is defined on the basis of the values in the active market, recent transactions or the best information available in order to determine the potential amount that could be obtained from the sale of the asset.

The value in use is determined by discounting the cash flows deriving from the expected use of the asset, applying the best estimates concerning the remaining useful life and a rate that also takes into account the implicit risk of the specific business segments in which the company operates. This evaluation is carried out at the level of individual asset or the smallest identifiable set of independent cash generating assets (CGU).

In the case of negative differences between the values noted above and the carrying amount, a write-down is recognised. If the reasons for the impairment loss no longer apply subsequently, it is reversed. Write-downs and reversals are recognised in the income statement.

6.4. Equity investments in startups (IFRS 9 and IFRS 13)

Equity investments in startups, consisting of non-current financial assets that are not held for trading, are classified under the item "Securities and equity investments" and recognised at fair value. These stakes are typically lower than 20%. In exceptional cases in which that threshold is marginally exceeded, the investee in any event is not considered an associate insofar as all other prerequisites laid out by the reference accounting standard are not met.

Since 2018, the Company has used the "International Private Equity and Venture Capital Valuation Guidelines" (the "Guidelines") for the purpose of measuring the startups in the portfolio. The Guidelines provide various measurement methods, define how and when the various methods are applicable, and issues to bear in mind in applying the various methods. In particular, the methods identified in the Guidelines are:

- post-money value related to the most recent equity investment received by the startup;
- market multiples or benchmarks for similar transactions;
- discounted cash flow;
- shareholders' equity.

The valuation of the individual startups is classified under FVH 3 (Fair Value Hierarchy, hereinafter also "**FVH**"), with the following general rules:

a. in the presence of a significant share capital increase (fully subscribed and paid up), or another transaction on the share capital of the startup in which there are third-party investors to a relevant extent, the post-money valuation is used as an indicator of a market value of the startup;

b. in the presence of a share capital increase, or another transaction on the share capital of the startup not completely finalised or which takes place in tranches in which there are third-party investors not complying with the previous clauses pursuant to point a), the pre-money valuation is used plus the cash inflows paid in at the cut-off date, as an indicator of a market value of the startup;

c. if in the last 24 months no transaction took place on the share capital and there are positive performance indicators, the Company uses a valuation that is benchmarked to the revenue multiples that would be generated by an analysis of similar transactions carried out by companies that operate in the same sector as the relevant startup and/or the discounted cash flow;

d. in the previous case and in the presence of negative performance indicators, the company shall carry out an impairment test.

The above-mentioned valuation parameters may change, including significantly, due to the conditions at which similar transactions may close in the future.

Gains and losses deriving from changes in fair value are recognised directly in the income statement for the period, under "Revaluations/Impairment at fair value".

The difference in value during the sale stage (Exit/liquidation) with respect to the most recent fair value measurement is charged to the income statement under "Realised gains/losses on investments".

SIC 12, an interpretative standard, aims to combat tax evasion and applies to vehicle companies, as defined by IFRS 3. SIC 12 handles financial asset transactions that would give rise to "off-balance sheet" vehicles because they are not subsidiaries, in accordance with the criteria established by IAS 27; these vehicles could need to be consolidated on the basis of the requirements laid out in SIC 12.

6.5. Receivables and other non-current assets (IFRS 9 and IFRS 13)

The Company classifies financial assets and investments in startups under this item when they are granted in the form of special types of convertible notes (PFIs) or convertible financing, directly or indirectly, as well as capital account payments carried out via crowdfunding platforms up until conversion into equity.

To measure receivables classified under this item, the Company determines the financial statement value based on the amount paid to the startup, decreased for any expected losses, taking into consideration:

a. a suitable weighting of the probability of loss;

b. reasonable and demonstrable information on past events, current conditions, and forecasts of future economic conditions.

The designation of the individual instrument in this category is final, is carried out upon initial recognition and cannot be amended.

6.6. Cash and cash equivalents (IAS 32 and IAS 39)

Cash and cash equivalents include cash in hand, sight deposits and short-term highly liquid financial investments which are readily convertible into cash values and which are subject to an irrelevant risk of price fluctuations. All cash and cash equivalents in current accounts are measured at their nominal value; other cash and cash equivalents and short-term financial investments are measured, based on data availability, at their fair value determined as the market value at year-end close.

6.7. Receivables and payables (IAS 32)

Receivables are recognised at their assumed realisable value. If the financial nature of these positions is recognised, they are recorded at amortised cost. Receivables and payables in foreign currency originally accounted for at the exchange rates in force at the date on which the transaction is carried out are adjusted to current exchange rates at year-end and the relative foreign exchange gains and losses are recognised in the income statement. Receivables and payables expected to be paid or collected beyond the subsequent year are discounted in accordance with market risk free rates at the reporting date, possibly increased by the intrinsic risk rate evaluated based on the position.

6.8. Income taxes (IAS 12)

Current taxes are recognised and calculated on the basis of a realistic estimate of taxable income in compliance with tax regulations in force and taking into account any applicable exemptions. Deferred taxes are determined on the basis of the taxable or deductible temporary differences between the carrying amount of assets and liabilities and their tax value. They are classified as non-current assets and liabilities.

Art. 23, paragraph 9 of Law Decree 98/11, converted by Law 111/11, by the amendment of art. 84 of the Income Tax Consolidation Act, introduced significant amendments to the tax regime of corporate losses for IRES purposes. Corporations may carry forward the tax loss of a tax period with no time limits, allocating it as a deduction from taxable income in subsequent years, to an extent not exceeding 80% of the taxable income of each year and for the entire amount of the loss that can be offset with that amount (art. 84, paragraph 1 of the Income Tax Consolidation Act).

No deferred tax assets were recognised on the tax losses of the Company as, at the moment, the conditions required by the accounting standards for the recognition of the future tax benefit are not met.

6.9. Share-Based Payment - Stock Option (IFRS 2)

In the event of transactions with share-based payment settled with instruments representing the capital of the Company, the fair value at the date of assignment of the options on shares granted to employees is recognised among personnel costs, with a corresponding increase in Shareholders' equity under "Other reserves and indivisible profits", over the vesting period for the employees. The amount recognised as a cost is adjusted to reflect the actual number of incentives (options) for which the length of service conditions have vested and the "non-market conditions" have been fulfilled so that the final amount recognised as a cost is based on the number of incentives that shall definitively vest. Likewise, in estimating the fair value of the options assigned, all the non-vesting conditions must be considered. With regard to the non-vesting conditions, any differences between the assumptions at the date of assignment and those occurring shall not have any impact on the financial statements.

Fair value is determined using the binomial approach. The essential data of the Stock Option Plans and the parameters used by the actuary for their valuation are indicated in Note 17.

6.10. Shareholders' equity

The total value of the shares issued by the Company is fully classified in shareholders' equity, as the shares represent the capital.

The "Share premium reserve" includes the excess of the share issue price with respect to the nominal value, net of expenses incurred during the share capital increase.

The "Undivided profits reserve" includes the allocation of profits arising from the fair value measurement of investments and is not available for distribution until those profits have actually been achieved.

The item "Profit (loss) carried forward" includes cumulative results and the transfer from other reserves of shareholders' equity when they are released from any restrictions to which they are subject. This item also recognises any cumulative effect of changes in accounting standards and/or any error corrections accounted for in accordance with IAS 8.

6.11. Other non-current and current assets

This item includes receivables not associated with other items in the balance sheet assets. These items are recognised at nominal value or at the recoverable amount if lower based on assessments concerning their future collectability. This item also includes accrued income and prepayments for which it has not proved possible to adjust the respective assets to which they refer.

6.12. Other non-current and current liabilities

This item includes items not associated with other liability items in the balance sheet, in particular primarily trade payables, such as payables to suppliers and withholdings to be paid, as well as accrued liabilities and deferred income which cannot be recognised as a direct adjustment of other liability items.

6.13. Derivative financial instruments and recording hedging transactions

The Company's liabilities are primarily exposed to the financial risk connected with changes in interest rates.

The Company uses interest rate swaps to manage the risk of fluctuations in interest rates. Contracts relating to derivative financial instruments are entered into with counterparties selected from the most financially solid in order to reduce the risk of contractual default to the minimum. The Company does not use derivative financial instruments for purposes of mere trading, but for economic hedging of risks identified.

In line with the provisions of IAS 39, derivative financial instruments are recognised according to the methods established for hedge accounting, as:

a. at the start of the hedge, the hedge is formally designated and the hedging relationship is documented, and the hedge is assumed to be effective;

b. the hedge is effective in the various accounting periods for which it was designated.

For interest rate derivatives, the fair value is determined using the expected cash flows estimated based on the conditions and the maturity of each contract and using the market interest rates of similar instruments at the closing date of the year (Fair Value Level 2).

6.14. Revenues and costs (IAS 18)

Revenues for the provision of services are recognised at the moment the service is provided, with reference to the state of completion of the activities at the reporting date.

Dividend and interest income are recognised respectively:

- dividends, during the year in which they are collected;
- interest, in application of the amortised cost method (IAS 39).

Costs are recognised when they are incurred. Costs and revenues directly associated with financial instruments measured at amortised cost and which can be determined since their origin irrespective of the moment in which they are settled, are recognised in the income statement by applying the effective interest rate method.

Any impairment losses are recognised in the income statement in the year in which they are identified.

6.15. Employee benefits (IAS 19)

Employee benefits are paid each year to a recurring single premium capitalisation policy taken out from Allianz S.p.A., with annual revaluation and consolidation of results. The premiums are calculated on the basis of the rules governing employee severance indemnity in force in Italy. Therefore, the Separate Financial Statements present the annual cost in the income statement, but do not present any balance sheet item, as the policy premiums are paid by 31 December.

6.16. Impairment losses

In the presence of indicators, events or changes of circumstance which make it reasonable to assume the existence of impairment losses, IAS 36 requires impairment testing on intangible assets and property, plant and equipment, in order to ensure that assets are not recognised in the financial statements with a value exceeding their recoverable amount. This test is carried out at least on an annual basis for Assets and Goodwill with an indefinite useful life.

The recoverability of the values recognised in the financial statements is determined by comparing the carrying amount at the reporting date and the higher of either the fair value net of costs to sell (if available) and the value in use. The value in use of property, plant and equipment or an intangible asset is determined on the basis of estimated future cash flows expected from the asset and discounted at a discount rate net of taxes, which reflects the current market valuation of the present value of money and the risks correlated with the Company's activities.

If it is not possible to estimate an independent cash flow for an individual asset, the cash generating unit to which the asset belongs is identified, with which it is possible to associate future objectively determinable cash flows independent from those generated by other operating units. Cash generating units were identified in line with the Company's organisational and operational architecture.

If impairment testing brings to light an impairment loss on an asset, its carrying amount is reduced to the recoverable amount through direct recognition in the income statement.

When there is no longer justification to maintain a write-down, the carrying amount of the asset (or of the cash generating unit), with the exception of goodwill, is increased to the new value deriving from the estimate of its recoverable amount, but not beyond the net carrying amount that the asset would have had if no impairment loss had ever been recognised. The reversal is recognised in the income statement immediately.

6.17. Derivative financial instruments and recording hedging transactions

The Company's liabilities are primarily exposed to the financial risk connected with changes in interest rates.

The Company uses interest rate swaps to manage the risk of fluctuations in interest rates. Contracts relating to derivative financial instruments are entered into with counterparties selected from the most financially solid in order to reduce the risk of contractual default to the minimum. The Company does not use derivative financial instruments for purposes of mere trading, but for economic hedging of risks identified.

In line with the provisions of IFRS 9, derivative financial instruments are recognised according to the methods established for hedge accounting, as:

a. at the start of the hedge, the hedge is formally designated and the hedging relationship is documented, and the hedge is assumed to be effective;

b. the hedge is effective in the various accounting periods for which it was designated.

For interest rate derivatives, the fair value is determined using the expected cash flows estimated based on the conditions and the maturity of each contract and using the market interest rates of similar instruments at the closing date of the year (Fair Value Level 2).

6.18. Cash flow statement (IAS 7)

The Company draws up the Cash Flow Statement using the indirect method according to the instructions of IAS 7.

6.19. Government grants (IAS 20)

This Standard must be applied for the recognition and disclosure of government grants and for the disclosure regarding other types of public assistance. These grants are provided by the government, government entities and analogous local, national or international entities. Government grants are those that take the form of transfers of resources to a company provided it has respected, or undertakes to respect, certain conditions relating to its operating activities. Those forms of public assistance with which a value cannot be reasonably associated and transactions with public entities that cannot be distinguished from the normal commercial activities of the company are excluded.

Government grants should be recognised until there is reasonable certainty that: the company will respect the established conditions; and the grants will be received. Government grants must be recognised systematically in the statement of profit (loss) for the year in the years in which the entity recognises the relative expenses that the contributions are intended to offset as costs.

The recognition of government grants follows the income method, based on which a grant is recognised in the statement of profit (loss) for the year in one or more years. With the income method, it is fundamental for government grants to be recognised systematically in the statement of profit (loss) for the year in the years in which the entity recognises the relative expenses that the contributions are intended to offset as costs. The recognition of government grants in the statement of profit (loss) for the year at the moment of collection does not respect the adoption of the applicable accounting standards (see IAS 1 Presentation of Financial Statements) and may be acceptable only if there is no method for allocating the grant to years other than that in which it was received. A government grant that can be collected as compensation for costs or losses already incurred in order to provide immediate financial support to the entity without correlated future costs should be recognised in the statement of profit (loss) for the year in which it becomes collectable.

6.20. Earnings per share (IAS 33)

Basic earnings per share is determined as the ratio between the net profit for the period attributable to Shareholders and the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to take into account any potential ordinary shares.

6.21. Segment reporting

The Company operates exclusively in Italy; therefore, there is no reclassification of the income statement by geographical areas.

The operating activities of the Company and the relative strategies are broken down into two product lines:
- the venture capital activity, which includes the activity of investing in startups and acceleration activities;
- other activities, which include consulting, Open Innovation activities and Co-working.

The reclassification of the income statement by business segment as described above is shown below:

in Euro '000	Venture Capital 2018	Venture Capital 2017	Other activities 2018	Other activities 2017
Revenues and other income	1,245	713	2,195	1,711
Total	**1,245**	**713**	**2,195**	**1,711**

in Euro '000	Venture Capital 2018	Venture Capital 2017	Other activities 2018	Other activities 2017
Costs for services	507	188	2,196	1,915
Total	**507**	**188**	**2,196**	**1,915**

in Euro '000	Venture Capital 2018	Venture Capital 2017	Other activities 2018	Other activities 2017
Wages and salaries	413	275	509	607
Social security costs	103	65	205	177
Severance indemnity and other provisions	19	4	268	127
Total	**534**	**344**	**982**	**910**

in Euro '000	Venture Capital 2018	Venture Capital 2017	Other activities 2018	Other activities 2017
Gross operating margin	204	181	-983	-1,114
Total	**204**	**181**	**-983**	**-1,114**

in Euro '000	Venture Capital 2018	Venture Capital 2017	Other activities 2018	Other activities 2017
Depreciation, amortisation and provisions	0	0	247	162
Total	**0**	**0**	**247**	**162**

in Euro '000	Venture Capital 2018	Venture Capital 2017*	Other activities 2018	Other activities 2017
Realised gains/losses on investments	-651	420	0	0
Total	**-651**	**420**	**0**	**0**

in Euro '000	Venture Capital 2018	Venture Capital 2017*	Other activities 2018	Other activities 2017
Revaluations/Impairment at fair value	2,210	983	0	0
Total	**2,210**	**983**	**0**	**0**

in Euro '000	Venture Capital 2018	Venture Capital 2017	Other activities 2018	Other activities 2017
Financial/extraordinary operations	0	0	-104	-33
Total	**0**	**0**	**-104**	**-33**

in Euro '000	Venture Capital 2018	Venture Capital 2017	Other activities 2018	Other activities 2017
Net profit (loss) before taxes	1,762	744	-1,334	-1,310
Total	**1,762**	**744**	**-1,334**	**-1,310**

* Values recalculated according to the provisions of IAS 8.

7. Information about financial risks

The Company has a system for monitoring the financial risks to which it is exposed. In line with its policy, the financial risks connected with operations are periodically monitored, so as to evaluate their potential negative effects beforehand and take the best actions to mitigate them. An analysis of the risks in question is provided below, highlighting the level of exposure and, for interest rate risk, conducting a sensitivity analysis in order to quantify the potential impact on actual results deriving from theoretical fluctuations in the reference parameters.

Credit risks

Credit risk represents the Company's exposure to potential losses deriving from the failure of counterparties to meet their obligations. The Company does not have a significant concentration of credit risk and has adopted procedures to minimise risk exposure.

The maximum theoretical exposure to credit risk for the Company is represented by the carrying amount of financial assets recognised in the financial statements, equal to €2,231 thousand (non-current financial assets + trade receivables).

Positions for which an objective condition of partial or total non-collectability has been identified are subject to individual write-downs. To determine the assumed recoverable amount and the amount of the write-downs, an estimate of recoverable cash flows and the relative collection date, costs and future collection expenses are taken into account.

In addition, operating criteria are used to quantify the presence of any guarantees (personal and collateral) and/or the existence of bankruptcy proceedings.

Within its operations, LVenture Group may grant loans to investee companies as part of a broader business/financial project. In this context, credit risk is deferred over a limited number of positions which are continuously monitored.

Processes concerning lending and investment in the sector in which the Company operates are subject to specific procedures. Process mapping is in the completion phase and procedures are in the redefinition and implementation phase.

LVenture Group periodically, and, in any case, each time the accounts are closed, analyses its receivables (financial and trade) in order to identify those that demonstrate objective evidence of a possible loss in value. Any value adjustment is recognised in the income statement.

The original value of the receivables is restored in subsequent years to the extent to which the reasons that caused the adjustment no longer apply, provided this valuation may be objectively connected with an event that took place subsequent to the adjustment. The write-back is recognised in the income statement and in any event cannot exceed the amortised cost that the receivable would have had in the absence of previous adjustments.

Interest rate risk

The objective of interest rate management is to ensure control of financial expenses and their volatility. This makes it possible to determine the financial expenses in advance over a time horizon consistent with the equity structure and future cash flows.

Interest rate risk hedging derivatives were acquired to hedge floating rate debt (for which an increase in interest rates would result in an increase in financial expenses) directly from the bank that disbursed the mortgage.

Liquidity risk

Liquidity risk is represented by the possibility that the Company may find itself in the condition of not being able to meet its payment commitments in cash or for delivery, expected or unexpected, due to a lack of financial resources, jeopardising its day-to-day operations and/or its financial position.

Liquidity risk may arise from the difficulty of being able to promptly obtain loans to support operations and may take the form of the inability to obtain the necessary financial resources at affordable conditions.

Short and medium/long-term liquidity requirements are monitored with a view to promptly guaranteeing that financial resources can be obtained or an adequate investment of cash and cash equivalents.

The two main factors that determine the Company's liquidity situation are, on one hand, the resources generated or absorbed by operating and investment activities and, on the other hand, the debt maturity and renewal characteristics or the liquidity of financial investments and market conditions.

At 31 December 2018, the net financial position is €1,120 thousand, consisting of liquid assets for €1,778 thousand and medium/long-term liabilities for €2,833 thousand.

Finally, to further support the development of LVenture Group, a capital increase on the market is planned for a maximum of €8 million, with a right of option within the third quarter of 2019.

Fair value disclosure

Following the issue of IFRS 13 by the international accounting bodies, in order to improve the disclosure on the fair value measurement associated with financial instruments, the concept of the fair value hierarchy ("FVH") was introduced, which is broken down over three different levels (Level 1, 2 and 3) in decreasing order of observability of the inputs used to estimate fair value.

The FVH levels are:

- Level 1: prices listed on active markets for identical instruments (i.e., with no modifications or repackaging).
- Level 2: prices listed on active markets for similar asset or liability instruments or calculated through valuation techniques in which all significant inputs are based on observable market parameters.
- Level 3: valuation techniques in which any significant input for the fair value measurement is based on non-observable market data.

The fair value of "Available-for-sale securities and equity investments" existing at 31 December 2018 (Note 10) is classified in Level 3. There are no other financial instruments measured at fair value. For the assets and liabilities valued at amortised cost, given their nature, it is reasonable to believe that the fair value is not significantly different from the carrying amounts.

8. Property, plant and equipment and other machinery

The breakdown of property, plant and equipment net of the relative provisions is shown below:

in Euro '000	2018	2017
Furnishings	382	312
IT hardware	36	27
Leasehold improvements	124	24
Other assets	121	93
Total	**662**	**456**

The breakdown of this item is shown below with the relative changes during the year:

in Euro '000	Furnishings	IT hardware	Other assets	Leasehold improvements
- historical cost	485	50	112	27
- Accumulated depreciation and impairment losses	-173	-23	-19	-3
Net value at 31 December 2017	**312**	**27**	**93**	**24**
Changes 2018:				
- increases	198	20	44	119
- decreases	0	0	0	0
- depreciation and impairment losses	-128	-11	-14	-22
Total changes 2018	**70**	**9**	**30**	**96**
- historical cost	683	70	156	146
- Accumulated depreciation and impairment losses	-301	-34	-33	-25
Net value at 31 December 2018	**382**	**36**	**123**	**121**

The most significant item of property, plant and equipment refers to furnishings and fixtures amounting to €382 thousand, net of the relative accumulated depreciation.

9. Goodwill and other intangible assets

in Euro '000	2018	2017
Goodwill	67	67
Software	39	56
Total	**105**	**123**

Impairment test pursuant to IAS 36 on the value of goodwill

Goodwill recorded in the Company's financial statements since 2013 was recognised upon the merger of LVenture Srl into LVenture Group and amounts to €66,950. This goodwill referred to the value in use of all assets constituted by EnLabs Srl. Following the merger of EnLabs into LVenture Group on 20 December 2016, the cash generating unit (CGU) to which that goodwill properly related was identified. That CGU was identified as the Acceleration business line. The value to be tested for impairment was determined as roughly €215 thousand and consists of the sum of goodwill (€67 thousand) and investments relating to the business line (€148 thousand).

As regards the value of goodwill specifically, IAS 36 establishes that, as it is an intangible asset with an indefinite useful life, it is not subject to amortisation, but rather tested for impairment at least once per year. As goodwill does not generate independent cash flows nor can it be sold autonomously from the assets to which it relates, IAS 36 requires its recoverable amount to be verified on a residual basis, by determining the cash flows generated by a set of assets making up the business unit to which it belongs: the cash generating unit (CGU).

The analysis in question was conducted on the basis of the cash flows reflected in the Company's 2019-2022 Business Plan (approved by the Board of Directors on 4 March 2019) and the best available information.

The documents used to carry out the impairment test reflect the best estimates that could be made with respect to the main assumptions at the basis of company operations (macro-economic performance, business development assumptions). These assumptions and the corresponding financials were deemed suitable to conduct the impairment test by the LVenture Group Board of Directors, which approved the relative results on 4 March 2019.

In this regard, please recall that IAS 36 defines the recoverable amount as the higher of the fair value of an asset or a cash generating unit, less costs to sell, and its value in use. The recoverable amount pursuant to IAS 36 was estimated with reference to the value in use, i.e., the present value of future cash flows that the Company expects from the asset, calculated as specified below.

This being said regarding the identification of the CGUs, note that the value in use of invested capital recognised in the financial statements at 31 December 2018 was determined based on the following aspects:

- cash flows as set forth in the 2019-2022 Business Plan for the Acceleration business line;
- use of the pre-tax Unlevered Discounted Cash Flow method;
- determination of a gross "market base" discount rate, i.e., determination of the pre-tax WACC;
- exclusion, as required by IAS 36, of the future cash inflows or outflows potentially deriving from future company restructurings, improvements or optimisations of business performance, other than those linked to the normal course of business.

The WACC was calculated as 13.98% on the basis of the following primary assumptions:

- calculating the average (levered) "beta" parameter at 0.659, on the basis of Company data (source: Bloomberg, monthly calculation frequency);
- applying a risk-free interest rate of 2.60%, represented by the yield on 10-year Italian treasury bonds which, as such, already includes the "country risk" component; in this case, the average yields of the last 2 auctions at the end of the month were considered with respect to the date of impairment testing, due to the high volatility of rates on Italian government bonds: the use of the quarterly average made it possible to reduce the effect of this volatility;
- applying a "market risk premium" of 9.02%, on the basis of studies on the average yield spread of the stock markets with respect to the risk free rate (Damodaran 2018 update);
- adding an additional risk premium of 6.0%;
- considering a pre-tax cost of debt capital of 3.13%, the future impact of debt was assumed to be 5%, as shown in the 2019-22 Business Plan;
- the tax rate applied to determine the WACC gross of tax was 24%, and was estimated on the basis of the tax rates currently expected taking into account a share of minimal non-deductible costs on a permanent basis.

A sensitivity analysis was also conducted, adding an additional risk premium of 2%, which demonstrates the robustness of the value in use.

The results of the impairment testing conducted are shown below (€ thousands):

CGU	Goodwill	Investments	Total	Value in use	Surplus
Acceleration	67	148	215	2,035	1,820

The impairment test conducted pursuant to IAS 36 brought to light no need to recognise impairment losses.

10. Securities and equity investments

The item "Securities and equity investments" recorded the following changes:

in Euro '000	2018	2017
Balance at the end of the previous year	**12,099**	**8,901**
2018 investments	1,583	2,445
Conversion into equity 2017 investments	105	0
Divestments	-472	0
Write-offs	-479	-230
Measurement at Fair Value	2,367	983
Balance at the end of the year	**15,203**	**12,099**

The value of the investment, the fair value and the value of the Alternative Performance Indicator (previously described in Note 5) of the main portfolio startups are shown below. Once again, note that the purpose of the Alternative Performance Indicator is exclusively to monitor the performance of the Portfolio and allow for a comparison with competitors, and it does not replace the values determined in compliance with the IAS/IFRS and posted in the financial statements.

Financial Statements at 31 December 2018

Brand (Company Name) (€ thousands)	**% Investment at 31-Dec-2018**	**Cumulative investment at 31-Dec-18**	**IFRS value at 31-Dec-18**	**API value at 31-Dec-18**
Gamepix	20.58%	310	1,831	1,831
Soundreef	6.76%	398	1,284	1,284
Moovenda	12.06%	281	1,030	1,030
Whoosnap (Insoore)	12.63%	315	973	973
Manet	10.28%	350	755	755
KPI6	17.82%	310	415	661
Codemotion	9.01%	160	563	563
Playwood	13.35%	280	428	428
Yakkyo	11.37%	180	313	313
Fitprime (Checkmoov)	13.93%	223	279	279
Shampora	13.32%	190	260	260
Vikey	9.35%	200	256	256
TogetherPrice	10.76%	174	254	254
BigProfiles (Datafalls)	10.93%	175	246	246
2Hire	9.55%	155	201	201
Lybratech	12.61%	80	197	197
Other investments		5,001	5,919	6,310
TOTAL		**8,782**	**15,202**	**15,839**

3 exit transactions were signed in 2018.

- Baasbox, exit for the entire shareholding, closed and settled;
- Voverc, exit for the entire shareholding, closed and partially settled by the date of these 2018 Financial Statements;
- Qurami, partial exit for 45% of the shareholding, closed and partially settled by the date of these 2018 Financial Statements.

The following table compares the amount actually invested in the startup with the amount achieved during Exit:

***Brand (Company Name)* in Euro '000**	**1st year of investment**	**Exit year**	**Total Actually Invested**	**Total Achieved on Exit**	**Exit multiple**
Baasbox	2013	2018	130	130	1.0x
Voverc	2013	2018	225	271	1.2x
Qurami (45%)	2012	2018	101	159	1.6x

As regards Qurami, for completeness of information it should be noted that LVenture Srl invested €225 thousand, but that upon transfer the startup was valued at €445 thousand.

The table below indicates the level of investment in Portfolio startups by members of the LVenture Group Board of Directors:

Brand (Company Name)	**Member of the Board of Directors of the Company**	**Transaction submitted to Control and Risk and Related Party Transactions Committee**	**% Investment at 31/12/2018**
BravePotions	Valerio Caracciolo (Director)	no	1.62%
GoPillar Inc.	Stefano Pighini (Chairman)	no	1.60%
GoPillar Inc.	Valerio Caracciolo (Director)	no	1.36%
Motorsport Gaming	Stefano Pighini (Chairman)	no	0.54%
Moovenda	Valerio Caracciolo (Director)	no	0.81%
Verticomics	Valerio Caracciolo (Director)	no	0.94%
Manet Mobile Solutions	Roberto Magnifico (Director)	***no***	0.91%
Ambiens VR	Roberto Magnifico (Director)	no	0.70%
Scuter	Valerio Caracciolo (Director)	no	3.20%
Tutored	Valerio Caracciolo (Director)	no	0.49%
Scuter	Stefano Pighini (Chairman)	no	1.01%
Qurami	Pierluigi Pace (Director)	no	1.61%
PowaHome	Roberto Magnifico (Director)	no	0.37%

11. Receivables and other non-current assets

in Euro '000	2018	2017
Other non-current receivables	0	25
Receivables from ZMV	25	25
PFIs (special type of convertible notes) and convertible shareholder loans from startups	1,280	510
Total	**1,305**	**560**

Details of the receivable from ZMV totalling €25 thousand, for indirect equity investments, are provided below:

in Euro '000	Seed (S)	% Investment at 31/12/2018	Investment at 31-Dec-18
Paperlit	S	0.90%	25
Total			**25**

Non-current financial assets include special types of convertible notes and convertible shareholder loans; the details of these items and changes during the year are provided below:

Brand (Company Name) (€ thousands)	Programme / year of acceleration	Transaction	2017	Increases	Decreases due to conversion	Fair Value Measurement	Impairment losses	2018
CineApp		Loan	0	80	0	-20	0	**60**
FitLunch		Loan	80	0	0	-60	-20	**0**
FitPrime		Loan	0	150	0	0	0	**150**
GODIRETTI		Loan	0	100	0	0	0	**100**
Kiwi Campus inc.		Loan	10	0	0	0	0	**10**
Nextwin		Loan	100	0	0	0	0	**100**
Qurami		Loan	0	10	0	0	0	**10**
Resonance		Loan	30	0	0	0	-30	**0**
Revotree		Loan	80	0	-80	0	0	**0**
Yakkyo		Loan	0	150	0	0	0	**150**
Dive Circle	P 10 - 2017	PFI	80	0	0	0	0	**80**
DonApp	P 10 - 2017	PFI	50	0	0	-37	-13	**0**
Mag (Ruleat)	P 11 - 2017	PFI	80	0	0	-20	-60	**0**
Deesup	P 12 - 2018	PFI	0	80	-80	0	0	**0**
Genome up	P 12 - 2018	PFI	0	80	-80	0	0	**0**
Inkdome	P 12 - 2018	PFI	0	80	-80	0	0	**0**
IWellness	P 12 - 2018	PFI	0	80	0	-20	0	**60**
My Lab Nutrition	P 12 - 2018	PFI	0	80	-80	0	0	**0**
Shampora	P 12 - 2018	PFI	0	80	-80	0	0	**0**
Skaffolder	P 12 - 2018	PFI	0	80	0	0	0	**80**
Fortune	P 13 - 2018	PFI	0	80	0	0	0	**80**
GEC	P 13 - 2018	PFI	0	80	0	0	0	**80**
Lybra tech	P 13 - 2018	PFI	0	80	-80	0	0	**0**
Mygrate	P 13 - 2018	PFI	0	64	0	0	-64	**0**
Parcy	P 13 - 2018	PFI	0	80	0	0	0	**80**
Pigro	P 13 - 2018	PFI	0	80	0	0	0	**80**
Smartfab	P 13 - 2018	PFI	0	48	0	0	-48	**0**
Tirolibre	P 13 - 2018	PFI	0	80	0	0	0	**80**
Zappyrent	P 13 - 2018	PFI	0	80	0	0	0	**80**
Total			**510**	**1,722**	**-560**	**-157**	**-235**	**1,280**

Lastly, the Company has call options in place in the various investment agreements with the startups, which provide the Company the right to invest at a discount in the startups' subsequent share capital increases. These options are not currently valued as it is not possible to determine their fair value in a sufficiently reliable manner.

12. Deferred tax assets

Deferred tax assets amount to €148 thousand, updated to what is set forth in the 2019-2022 Business Plan. The tax losses carried forward in their entire amount and the relative deferred tax assets are specified below:

in Euro '000	Tax losses	IRES at 24%	Deferred tax assets
Previous years' tax losses	9,745	2,339	241
Tax losses year 2018 (estimated)	788	189	-93
Total	**10,533**	**2,528**	**148**

13. Trade receivables

in Euro '000	2018	2017
Trade receivables	926	705
Total	**926**	**705**

Trade receivables are measured at fair value and were adjusted to their assumed realisable value. These receivables all mature within 12 months.

14. Current financial assets

in Euro '000	2018	2017
Current financial assets	272	0
Total	**272**	**0**

The item Current financial assets includes the receivable from the buyer of Voverc Srl, €139 thousand of which was collected on 16 January 2019, and the remainder of which will be collected by the close of financial year 2019 as per the preliminary agreement signed on 28 December 2018.

15. Other receivables and current assets

in Euro '000	2018	2017
Other receivables and current assets	188	142
Total	**188**	**142**

The breakdown of Other current assets is shown below:

in Euro '000	2018	2017
Financial receivables	0	0
Tax receivables	9	106
Receivables from others	3	2
Accrued income and prepayments	176	34
Total	**188**	**142**

Tax receivables are represented by the balance of the Company's VAT credit. The increase in the item Accrued income and prepayments is mainly attributable to the 1st quarter 2019 portion of the lease payment for Via Marsala 29h.

16. Cash and cash equivalents

in Euro '000	2018	2017
Cash	0	0
Demand deposits	1,786	1,064
Payables to company credit cards	-8	-6
Total	**1,778**	**1,058**

Cash and cash equivalents refer primarily to the positive balances of bank current accounts at the date of year-end close. Liquid funds are deposited at Banca Popolare di Sondrio and Banca IntesaSanPaolo.

17. Shareholders' equity

in Euro '000	2018	2017
Share capital	10,932	9,731
Share premium reserves	1,152	1,274
Fair Value Reserve on Cash Flow Hedges	-26	-9
Fair Value Reserve on Stock Option	48	5
Profit (loss) carried forward	3,026	2,423
Net profit (loss) for the period	401	-671
Total	**15,533**	**12,753**

Details of the classification of reserves are provided below. Please refer to the statement of changes in shareholders' equity for details on changes in the course of the year.

As regards "Profit (loss) carried forward", it should be noted that the amount of €3,026 thousand is made up of the losses carried forward in the amount of €934 thousand and the profit brought forward as a result of the first-time application of IFRS 9 in the amount of €3,960 thousand.

17.1.Classification of reserves

Nature / Description in Euro '000	Amount	Possibility of use (*)	Available portion	Uses in the previous 3 years to cover losses	Uses in the previous 3 years for other reasons
Share capital	10,932		0	0	0
Share premium reserve (**)	1,152	A, B, C	1,152	-5,470	0
Legal reserve	0	B	0	0	0
Fair Value Reserve	22		0	0	0
Total	**12.106**		**1.152**	**-5.470**	**0**

(*) A: for share capital increase; B: to cover losses; C: for distribution to shareholders.
(**) The share premium reserve is available but not distributable until the legal reserve reaches 1/5 of the share capital pursuant to art. 2341 of the Italian Civil Code.

17.2.Share capital

in Euro '000	2018	2017
Share capital	10,932	9,731
Total	**10.932**	**9.731**

In the period considered, the Company's Board of Directors partially executed the mandate granted to it pursuant to art. 2443 of the Italian Civil Code by the Company's Extraordinary Shareholders' Meeting on 30 April 2014, with a share capital increase of LVenture Group, against payment, in tranches with the exclusion of the option right pursuant to art. 2441, paragraphs 5 and 6 of the Italian Civil Code and reserving this increase to strategic investors and selected professionals. The Board of Directors deemed that such Investors represent a significant opportunity, not only due to their profile as investors of high standing but, moreover, as potential strategic partners with specific experience in venture capital, capable of providing value added to the Company. These share capital increases, already put in place during 2017, were carried out in 2018 in several tranches:

- on 9 May 2018, in the amount of €1,162 thousand, of which €581 thousand to be allocated to the share capital and €581 thousand to the share premium, by issuing 1,904,918 shares, 1,524,591 of which new shares for listing and 380,327 new shares not intended for listing, all with no nominal value, and the same entitlements and characteristics as those outstanding at the issue date. The subscription price of the newly issued shares was €0.61 each, calculated on the basis of the value of shareholders' equity and taking into account the Company's average daily share price in the last six months. The shares were issued on 30 May 2018 and the certification that the share capital increase had been completed pursuant to art. 2444 of the Italian Civil Code was filed with the Rome Business Register on 31 May 2018;
- on 12 December 2018, in the amount of €1,240 thousand, of which €620 thousand to be allocated as par value and €620 thousand for the share premium, by issuing 2,000,000 shares, all with no nominal value, and the same entitlements and characteristics as those outstanding at the issue date. This share capital increase was subscribed by Future Invest S.p.A. The subscription price of the newly issued shares was €0.62 each, calculated on the basis of the value of shareholders' equity and taking into account the Company's average daily share price in the last six months.

The shares were issued on 21 December 2018 and the certification that the share capital increase had been completed pursuant to art. 2444 of the Italian Civil Code was filed with the Rome Business Register on 21 December 2018.

At 31 December 2018, the share capital of the Company was broken down as follows:

Shares/Units	2018 figure	2017 figure	Nominal value
Ordinary listed	30,154,439	28,154,739	*none*
Ordinary unlisted	3,312,680	1,407,462	*none*
Total	**33.467.119**	**29.562.201**	

The Company held no treasury shares on the date on which the Financial Statements were prepared.

17.3.Share premium reserve

in Euro '000	2018	2017
Share premium reserve	1,152	1,274
Total	**1.152**	**1.274**

The reserve includes the amount allocated to the share premium reserve defined upon the issue of shares, net of expenses incurred during the share capital increase.

17.4.Other reserves, measurement of equity investments at fair value and profit (loss) carried forward

in Euro '000	2018	2017
Fair Value Reserve on Stock Option	48	5
Fair Value Reserve on Cash Flow Hedges	-26	-9
Profit (loss) prev. years	3,026	2,423
Total	**3,048**	**2,419**

Other reserves comprise the 2018 portion of the two Stock Option Plans:

1st Stock Option Plan for Employees: The Company assigned option rights, free of charge, to subscribe shares of the Company in favour of certain employees. The plan allows the Company to assign options in several tranches, and does not set a maximum number of options that can be assigned each year. The total maximum number of options that can be assigned through the plan is 1,478,110. The options may be exercised by the beneficiaries, fully or partially, at the end of the vesting period, i.e. the period from 31 July 2020 to 31 December 2020. The options must be exercised, under penalty of forfeiture, by that final date.
Each tranche of options is assigned a strike price, which, in each case, will be equal to the arithmetical average of the official prices of the shares recorded on the MTA market in the month prior to each assignment date. The plan was assigned in two Tranches:

- on 14 November 2017, the Board of Directors assigned the First Tranche of 739,000 options at a strike price of €0.7266. In 2018, the Company assigned to new employees the options freed up by outgoing employees, under the same conditions.
- The Second Tranche of 739,000 options has not been assigned.
- The total fair value was determined at €112 thousand.

2nd Stock Option Plan for Directors and Strategic Consultants: On 12 December 2018, the Board of Directors assigned 1,478,110 options at a strike price of €0.62, for the subscription of shares of the Company, in favour of some Directors and Consultants. The total number of options that can be assigned through the plan is 1,478,110.
The options may be exercised by the beneficiaries, fully or partially, at the end of the vesting period, i.e. the period from 1 April 2021 to 31 December 2021. The options must be exercised, under penalty of forfeiture, by that final date. The exercise of the options is conditional on the fulfilment of the qualifying condition, which foresees an increase between the strike price and the earn-out amount equal to or greater than +15%.

The total fair value was determined at €60 thousand.

The valuation was carried out reflecting the characteristics of "no arbitrage" and "risk neutral framework" common to fundamental option pricing models (such as the binomial approach, the Black & Scholes, etc.).

The main parameters used for the valuation are summarised below:

	Number of Options	Vesting date	Maturity Date	Strike Price in Euro	Price at the valuation date in Euro	Annual volatility	Expected dividend rate	Exit rate
1st plan - Employees	739,000	30/07/2020	31/12/2020	0.7266	0.684	40%	0%	5%
2nd plan - Directors	1,478,110	01/04/2021	31/12/2021	0.6200	0.594	40%	0%	5%

The Cash Flow Hedge Reserve includes the Level 2 fair value valuation (mark-to-market drawn up by Banca Intesa at 31 December 2018) of the IRS hedging interest rate risk on mortgages entered into with Banca Intesa. That amount is recorded as a balancing entry under "Other current financial liabilities".

The "Reserve for profit (loss) carried forward from previous years" includes the adjustment made on 1 January 2018 for the application of IFRS 9 with the reclassification from the Fair Value reserve. Details of the change have been provided in Note 6 and in the Statement of Changes in Shareholders' Equity.

18. Non-current payables to banks

in Euro '000	2018	2017
Non-current payables to banks	2,833	1,449
Total	**2.833**	**1.449**

Non-current payables to banks include:

a) the nominal residual payable on the **€151 thousand** mortgage loan taken out from Banca Popolare di Sondrio with the guarantee of Banca del Mezzogiorno - Mediocredito Centrale. The unsecured loan for a total of €500 thousand was disbursed in full in May 2015, with a fixed interest rate of 3.75% and a five-year repayment plan. The instalments falling due in 01/01/2019 - 31/12/2019 amount to €110 thousand, including principal and interest;

b) the nominal residual payable on the **€297 thousand** mortgage loan taken out from Banca Intesa with the guarantee of Banca del Mezzogiorno - Mediocredito Centrale. The unsecured loan was approved on 07 June 2016 in the total amount of €430 thousand, and was disbursed in 6 tranches based on work in progress between 2016 and 2017. The 5-year repayment plan has a 6-month floating rate EURIBOR rate plus a spread of 3%. The instalments falling due in 01/01/2019 -31/12/2019 amount to €114 thousand, for the principal and the estimated interest;

c) the nominal residual payable on the **€800 thousand** mortgage loan taken out from Banca Intesa with the guarantee of Banca del Mezzogiorno - Mediocredito Centrale. The unsecured loan was approved on 29 September 2017 in the total amount of €800 thousand, and was disbursed on 16 October 2017. The 5-year repayment plan with a grace period of 24 months has a 1-month floating rate EURIBOR rate plus a spread of 2.5%. The instalments falling due in 01/01/2019 -31/12/2019 amount to €44 thousand, for the principal and the estimated interest;

d) the nominal residual payable on the **€800 thousand** mortgage loan taken out from Banca Popolare di Sondrio with the guarantee of Banca del Mezzogiorno - Mediocredito Centrale. The unsecured loan was approved on 21 February 2018 in the total amount of €800 thousand, and was disbursed on 29 March 2018, with a fixed interest rate of 3.95% and a repayment plan of 5-1/2 years, with a 15-month grace period. The instalments falling due in 01/01/2019 -31/12/2019 amount to €104 thousand, for the estimated interest;

e) the nominal residual payable on the **€800 thousand** mortgage loan taken out from Banca Intesa with the guarantee of Banca del Mezzogiorno - Mediocredito Centrale. The unsecured loan was approved on 14 March 2018 in the total amount of €800 thousand, and was disbursed on 29 March 2018. The 7-year repayment plan with a grace period of 24 months has a 1-month floating EURIBOR rate plus a spread of 2.3%. Interest for the period 01/01/2019 - 31/12/2019 is estimated at €15 thousand.

The loans under points b) and c) were converted to a fixed rate using specific IRS hedges, with the same principal and maturities, acquired from Banca Intesa on behalf of the Company.

19. Deferred tax liabilities

in Euro '000	2018	2017
Deferred tax liabilities	75	48
Total	**75**	**48**

Deferred tax liabilities are calculated in relation to the fair value measurements of investments in startups.

20. Trade and other payables

in Euro '000	2018	2017
Trade payables	875	637
Total	**875**	**637**

Trade payables refer to the amount accrued during the year for the following items:

in Euro '000	2018	2017
Board of Statutory Auditors	35	30
Directors' fees	27	21
Regulatory	0	0
Investor Relator	1	0
Internal Audit / Surveillance Body	18	18
Independent Auditors	24	18
Personnel	0	0
Suppliers	721	489
Others	49	61
Total	**875**	**637**

The balance of trade payables follows the organic growth of the Company's activities.

21. Tax payables

in Euro '000	2018	2017
IRAP payables	0	0
IRES/IRPEF payables	44	32
Total	**44**	**32**

Tax payables include the balance at 31 December 2018 of the IRAP payable and the IRPEF/IRES tax payables on behalf of employees and professionals. The latter were paid to the Tax Authorities on 16 January 2019.

22. Other current liabilities

in Euro '000	2018	2017
Other current payables	1,100	330
Total	**1.100**	**330**

Other current liabilities consist of:
- €88 thousand in payables to employees for holidays accrued but not used and wages to be paid;
- €52 thousand for payables to social security institutions for accidents in the workplace paid in January 2019;
- €10 thousand for payables to provisions for personnel;
- €80 for other payables;
- €870 thousand for deferred income, of which €682 thousand are attributable to advance billing to Facebook.

23. Revenues and other income

in Euro '000	2018	2017	Change
Revenues for rental of co-working workstations	876	571	305
Revenues for Acceleration Programme services	697	475	221
Revenues from Growth-LV8 programmes	359	14	345
Open Innovation revenues	413	382	31
External networking revenues	166	215	-49
Event revenues	434	341	92
Sponsorship revenues	450	365	85
Other revenues	46	61	-15
Total	**3,440**	**2,424**	**1,016**

For 2018, revenues totalled €3,400 thousand, with growth of 42% compared to the same period in the prior year.

All categories of revenues are up, except Networking which is closely linked to the support that the Company is able to provide to startups in the first rounds of fundraising.

Revenues relating to Co-working are up both as a result of the full utilisation of the Rome spaces, and the renting out of the Milan spaces. The growth in revenues related to Acceleration activities increased in 2018 compared to 2017 due to the greater numbers of startups participating in Acceleration programmes during 2018. The new Growth-LV8 programme has achieved excellent results in its first full year of activity. Revenues from Open Innovation (which includes both vertical programmes as well as sponsorships for the Company) remained stable compared to the same period of the previous year.

24. Costs for services

in Euro '000	2018	2017	Change
Board of Statutory Auditors	-40	-34	-5
Directors' fees	-211	-137	-74
Investor Relator	0	-32	32
Professional consulting	-604	-379	-225
Legal consulting	-77	-91	15
Notary services	-14	-23	8
Services related to stock exchange listing	-77	-78	1
Independent Auditors	-27	-25	-2
Other	-316	-225	-91
Total	**-1,367**	**-1,025**	**-342**

Costs for services changed mainly as follows:

- fees to the Directors for financial year 2018 include the fees approved by the Shareholders' Meeting of 27 April 2018;
- professional consulting includes costs for the use of external professionals to cover temporarily unfilled positions and for external professionals related to the new Growth-LV8 programme.

25. Personnel costs

in Euro '000	2018	2017	Change
Personnel cost	-1,516	-1,254	-262
Total	**-1,516**	**-1,254**	**-262**

The Company hires employees and also relies on the support of collaboration agreements. This item includes the cost of personnel on staff at 31 December 2018.

Headcount	2018	2017	Change
Executives	2	2	0
Middle Managers	4	3	1
Staff	19	19	0
Total employees	**25**	**24**	**1**
Collaborators	24	16	8
Total	**49**	**40**	**9**
Average employees during the year	*25.2*	*21.1*	

26. Other operating costs

Details of other operating costs are shown below:

in Euro '000	2018	2017	Change
Rent	-871	-823	-48
Stationery and printed materials	-31	-18	-13
Other operating expenses	-434	-237	-197
Total	**-1,336**	**-1,078**	**-258**

The increase in Other operating costs is due to:
- the increase of the rent for the Milan space;
- the increase in Other operating expenses is attributable to the management of the Milan spaces, to higher travel costs to Milan for staff and to the organic growth of the Company's activities.

27. Depreciation and impairment losses on tangible assets

in Euro '000	2018	2017	Change
Depreciation and impairment losses on tangible assets	-175	-106	-69
Amortisation of intangible assets	-18	-10	-8
Total	**-193**	**-116**	**-77**

28. Provisions and write-downs

in Euro '000	2018	2017	Change
Provisions and write-downs	-54	-46	-8
Total	**-54**	**-46**	**-8**

This item includes the fair value adjustment of trade receivables at 31 December 2018.

29. Realised gains/losses on investments

in Euro '000	2018	2017	Change
Gains on startups	63	0	63
Losses on startups	-479	-380	-99
Losses on PFIs	-185	-40	-145
Losses on convertible financing	-50	0	-50
Total	**-651**	**-420**	**-231**

30. Revaluations/Impairment at fair value

in Euro '000	2018	2017	Change
Revaluations startups at fair value	3,419	2,046	1,373
Impairment startups at fair value	-1,052	-1,062	10
Revaluations PFIs at fair value	0	0	0
Impairment PFIs at fair value	-78	0	-78
Revaluations convertible loans at fair value	0	0	0
Impairment convertible loans at fair value	-80	0	-80
Total	**2,210**	**983**	**1,226**

The item Revaluations/impairment at fair value, contains the fair value measurements on the startups in the portfolio according to IFRS 9. The total revaluations for fair value adjustment of the equity investments amounted to €3,419 thousand; while the fair value impairment losses of the portfolio amounted to €1,210 thousand.

The main revaluations include:
- Gamepix for €1,358 thousand, determined on the basis of the DCF method;
- Filo for €425 thousand, determined on the basis of the capital increase concluded in 2018;
- Soudreef for €396 thousand, determined on the basis of the capital increase concluded in 2018;

31. Financial expenses

in Euro '000	2018	2017	Change
Financial expenses	-89	-32	-57
Total	**-89**	**-32**	**-57**

The item includes interest expense on mortgage loans taken out by the Company, and the expenses, IRS hedging differentials and bank fees on ordinary operations.

32. Other income and expenses

in Euro '000	2018	2017	Change
Other income and expenses	-16	-2	-14
Total	**-16**	**-2**	**-14**

33. Income taxes

in Euro '000	2018	2017	Change
Current taxes	0	0	0
Deferred tax liabilities	-27	-93	66
Total	**-27**	**-93**	**66**

This item includes taxes, both current and deferred, recognised in the financial statements of the Company.

in Euro '000	2018	2017	Change
Current taxes:			
IRES	0	0	0
IRAP	0	0	0
Substitute taxes	0	0	0
Total	**0**	**0**	**0**

in Euro '000	2018	2017	Change
Deferred tax liabilities:			
IRES	-27	-93	66
IRAP	0	0	0
Substitute taxes	0	0	0
Total	**-27**	**-93**	**66**

The amounts recognised are for taxes for the year, as envisaged in the 2018-21 Business Plan.

33.1. Reconciliation between the tax charge from the financial statements and the theoretical tax charge (IRES)

The taxes recognised represent the change in deferred tax assets posted based on the 2019-22 Business Plan. The reconciliation between the theoretical charge resulting from the financial statements of the Company and the actual tax charge is provided below:

Description in Euro '000	Value	Taxes
Pre-tax profit (loss)	428	103
Theoretical tax charge (%)	24%	
Temporary differences taxable in subsequent years	0	0
Temporary differences deductible in subsequent years	168	40
Reversal of temporary differences from previous years	-21	-5
Differences that will not be reversed in subsequent years:	0	0
- Non-deductible expenses	705	169
- Non-taxable income	-2,095	-503
Taxable income	**-788**	
Current taxes on income for the year		**0**
Actual tax charge (%)		irrelevant

33.2.Determination of the IRAP tax base

Description in Euro '000	Value	Taxes
Difference between value and costs of production	440	
Costs not relevant for IRAP purposes	469	
Revenues not relevant for IRAP purposes	0	
Theoretical tax charge (%)	0	5.57%
Temporary difference deductible in subsequent years	0	**0**
IRAP tax base	**909**	
Employee deduction	1,256	
Current IRAP for the year	**0**	**0**
Actual tax charge (%)		irrelevant

7. Deferred tax assets and liabilities

Deferred tax assets were recognised in that there is reasonable certainty of the existence in the years in which the deductible temporary differences will be reversed of taxable income no lower than the amount of the differences that will be offset.

1. Earnings per share

As required by IAS 33, please note the following regarding earnings per share:

in Euro '000	2018	2017
Net profit (loss) for the period	**401,094**	**-670,734**
Ordinary shares	33,467,119	29,562,201
Earnings per share	**0.0120**	**-0.0227**
Ordinary shares + potential ordinary shares	33,467,119	29,562,201
Diluted earnings per share	**0.0120**	**-0.0227**

2. Disclosure obligations pursuant to art. 114, paragraph 5 of Italian Legislative Decree no. 58/98

In a letter dated 12 July 2013, Consob notified the Company that to replace the monthly disclosure requirements established by note dated 27 June 2012, it must, pursuant to the referenced regulation, supplement the annual financial reports, as well as press releases concerning the approval of the above-mentioned accounting documents, with the following information:

a. the net financial position of the Company, highlighting the short-term components separately from medium/long-term components;

b. the past-due payables of the Company broken down by nature (financial, trade, tax and social security) and any associated reaction initiatives of Company creditors (reminders, injunctions, supply suspensions, etc.);

c. transactions with related parties of the Company;

d. any failure to comply with covenants, negative pledges and any other Company debt clause entailing limits on the use of financial resources, with an updated indication of the degree of compliance with such clauses;

e. the implementation status of any business and financial plans, with an indication of variances between actual and forecast data.

With respect to the information required by Consob, the net financial position of the Company is reported below, highlighting the short-term components separately from medium/long-term components:

2.1.Net Financial Position of the Company

	in Euro '000	2018	2017
A	Cash	0	0
B	Other cash and cash equivalents	1,778	1,058
C.	Securities held for trading	0	0
D	**Liquidity (A + B + C)**	**1,778**	**1,058**

	in Euro '000	2018	2017
E	**Other current financial receivables**	272	0
F	Current payables to banks	0	0
G	Current portion of non-current debt	0	0
H	Other current financial payables	0	0
I	**Current financial debt (F + G + H)**	**0**	**0**
J	**Net current financial debt (D + E + I)**	**2,050**	**1,058**
K.1	Other non-current financial receivables	0	0
K.2	Non-current payables to banks	-2,833	-1,449
L	Bonds issued	0	0
M	Other non-current payables	-29	-42
N	**Non-current financial debt (K.1 + K.2 + L + M)**	**-2,862**	**-1,491**
O	**Net financial debt (J + N)**	**-812**	**-433**

2.2. Past-due payables of the Company broken down by nature

The past-due payables of the Company broken down by nature (financial, trade, tax and social security) and any associated reaction initiatives of Company creditors (reminders, injunctions, supply suspensions, etc.) are reported below.

in Euro '000	2018	2017
Financial Payables	0	0
Tax Payables	0	0
Social Security Payables	0	0
Due to Employees	0	0
Trade Payables	575	473
Other Payables	0	0
Total past-due payables	**575**	**473**

On 8 March 2019, the Company paid €435 thousand in relation to the past-due payables at 31 December 2018.

At the date on which these financial statements were prepared, the Company had no covenants, negative pledges or other debt clauses entailing limits on the use of financial resources.

2.3. Transactions with related parties

Transactions with related parties are described in Note 39.

2.4. Covenants, negative pledges and any other Company debt clause entailing limits on the use of financial resources

At the date on which the Financial Statements were prepared, the Company had no covenants, negative pledges or other debt clauses entailing limits on the use of financial resources.

2.5. Implementation status of any business and financial plans, with an indication of variances between actual and forecast data

In the initial months of 2018, the Company's management updated the medium/long-term strategies and prepared the 2018-2021 Business Plan, approved by the Board of Directors on 12 March 2018. The main strategic objectives of the 2018-2021 Business Plan are:

- **significant organic growth in revenues:**
  - consolidation of acceleration programmes;
  - strengthening of Open Innovation activities by carrying out Incubation/Acceleration Programmes focusing on specific areas of interest, chosen with the support of industrial partners;
  - full optimisation of physical spaces;
- **selective strengthening of the organisational structure:**
  - planned, gradual hiring in the business structure of new talents to manage higher business volumes;
- **growth in the level of investments in startups:**
  - investments expected to average slightly more than €3 million for 2018;
  - maximisation of portfolio value:

- considerable portfolio revaluations planned as early as 2018, significant cash-ins starting from 2019-2020;
- **strengthening of the capital structure:**
  - a reserved share capital increase is planned for 2018 for €2.4 million, in execution of the relative mandate pursuant to the Shareholders' Meeting resolution of 30 April 2014. The Company could assess the entry into LVG's share capital of strategic anchor investors capable of contributing to maximising the creation of value for shareholders.

During the reference period, the following differences were registered with respect to the 2018-2021 Business Plan assumptions:

- lower revenues of approximately €145 thousand;
- lower costs of €126 thousand;
- lower gross operating margin of €271 thousand;
- lower investments than envisaged in Business Plan of €131 thousand.

The table below shows the summary data at 31 December 2018 compared with the data set forth in the 2018-2021 Business Plan for the same period:

in Euro '000	2018 ACTUAL	2018	Change
Revenues	3,440	3,585	-145
Costs	-4,219	-4,093	-126
Gross operating margin	**-779**	**-508**	**-271**
Realised gains/losses on investments	-447	-170	-277
Revaluations/Impairment at fair value	2,005	0	2.005
Pre-tax profit (loss)	**427**	**-944**	**1.371**
Investments in startups	***2,824***	***2,955***	***-131***

3. Commitments and guarantees

The Company's commitments and guarantees are listed below:

in Euro '000	Type of commitment/guarantee	2018
Filo Srl	Startup payment	50
Total		**50**

4. Non-recurring significant events and transactions

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, please note that in 2018 the Company did not carry out any significant non-recurring transactions:

5. Transactions deriving from atypical and/or unusual transactions

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, please note that in 2018 the Company did not carry out any atypical and/or unusual transactions as defined by the Communication.

6. Related party transactions

The Company carries out transactions with related parties in compliance with the formal procedure and implementation methods laid out by the Procedure on transactions with related parties, adopted by the LVenture Group Board of Directors in implementation of the Regulation on related party transactions, adopted by Consob with resolution no. 17221 of 12 March 2010, as amended.

In compliance with its traditional application of market best practices, the related party transactions carried out by the Company are subject to a procedure which includes, *inter alia*:

a. the complete and timely transmission of relevant information to the Control and Risk and Related Party Transactions Committee. This Committee consists exclusively of independent directors who in exercising their functions may also rely on the support of independent experts;

b. the issue of an opinion (binding or non-binding, depending on the case) before the approval of the transaction by the Board of Directors.

All transactions - connected with the Company's normal activities - were carried out in its exclusive interest, applying contractual conditions consistent with those that could theoretically be obtained in a negotiation with third parties.

6.1.Main transactions concluded during the period

In 2018, no transactions with related parties other than those reported below were carried out.

6.2.Related party transactions in place at 31 December 2018

In 2018, no transactions with related parties requiring reporting were carried out. The transactions that were already in place with Related Parties continued, in particular transactions with members of the Board of Directors, the Board of Statutory Auditors and the Corporate Officer in charge of preparing the accounting documents.

6.3.Trade transactions with related entities - Revenues

There was no transaction generating revenues in 2018.

6.4.Trade transactions with related entities - Costs

There was no transaction generating costs in 2018.

6.5.Trade transactions with related entities - Receivables and Payables

There was no transaction generating receivables or payables in 2018.

6.6.Trade transactions with related entities - Investments

There was no relevant transaction in 2018.

Considering the insignificant nature of related party transactions, they were not separately indicated in the Financial Statements pursuant to Consob resolution no. 15519 of 27 July 2006.

6.7.Directors' and Statutory Auditors' Fees

In accordance with the law, the total fees due to directors, members of the Board of Statutory Auditors and the Independent Auditors are specified below (art. 2427, paragraph 1, no. 16 and 16-bis of the Italian Civil Code).

NAME	from	to	Remunerati	Remunerati	Other	Total	*2nd Stock*
Board of Directors							
Stefano Pighini *	01/01/2018	31/12/2018	35,000	0	0	**35,000**	296,000
Luigi Capello **	01/01/2018	31/12/2018	67,667	0	0	**67,667**	590,110
Livia Amidani Aliberti ***	01/01/2018	12/10/2018	6,500	3,722	0	**10,222**	0
Valerio Caracciolo ***	01/01/2018	31/12/2018	8,000	0	0	**8,000**	0
Claudia Cattani ***	01/01/2018	31/12/2018	8,000	4,750	0	**12,750**	0
Maria Augusta Fioruzzi	01/01/2018	31/12/2018	8,000	0	0	**8,000**	0
Marco Giovannini ***	01/01/2018	31/12/2018	8,000	1,167	0	**9,167**	0
Roberto Magnifico ****	01/01/2018	31/12/2018	33,000	0	0	**33,000**	296,000
Maria Mariniello ***	14/11/2018	31/12/2018	1,125	625	0	**1,750**	0
Patrizia Micucci ***	01/01/2018	27/04/2018	2,000	0	0	**2,000**	0
Pierluigi Pace ***	27/04/2018	31/12/2018	6,000	0	0	**6,000**	0
Total Board of Directors			**183,292**	**10,264**	**0**	**193,556**	**1,182,110**
Board of Statutory Auditors							
Carlo Diana	01/01/2018	31/12/2018	15,000	0	0	**15,000**	0
Giovanni Crostarosa Guicciardi	01/01/2018	31/12/2018	10,000	0	0	**10,000**	0
Benedetta Navarra	01/01/2018	31/12/2018	10,000	0	0	**10,000**	0
Total Board of Statutory Auditors			**35,000**	**0**	**0**	**35,000**	**0**

Key:
* Chairman
** Chief Executive Officer
*** Director
**** Director with powers

7. Fees to the Independent Auditors

Pursuant to art. 149-duodecies of the Consob Issuers' Regulations, the fees due to the Independent Auditors net of VAT and accessory expenses are specified below:

Type of service	in Euro
Independent audit of the accounts - Audit of the financial statements	17
Other auditing services	23
Total fees 2018	**40**

8. Significant events after year-end close

On 4 March 2019, the Board of Directors also resolved to submit to the Shareholders' Meeting, convened, in ordinary and extraordinary session, for 17 April 2019 on first call and, if necessary, 18 April 2019 on second call:

- the proposed share capital increase against payment, to be offered as an option to existing shareholders, for a maximum amount of €8 million;
- the granting of a mandate to the Board of Directors to authorise further reserved capital increases against payment, excluding the option right, for a maximum of €8 million to be carried out in the five years subsequent to the above mentioned Shareholders' Meeting.

So as to:

(i) provide the Company with the financial resources necessary to achieve the strategic objectives set out in the Business Plan;

(ii) accelerate the business growth of the Company, both nationally and internationally;

(iii) support the international development of the startups within the Company's portfolio, with a subsequent expected growth in their value.

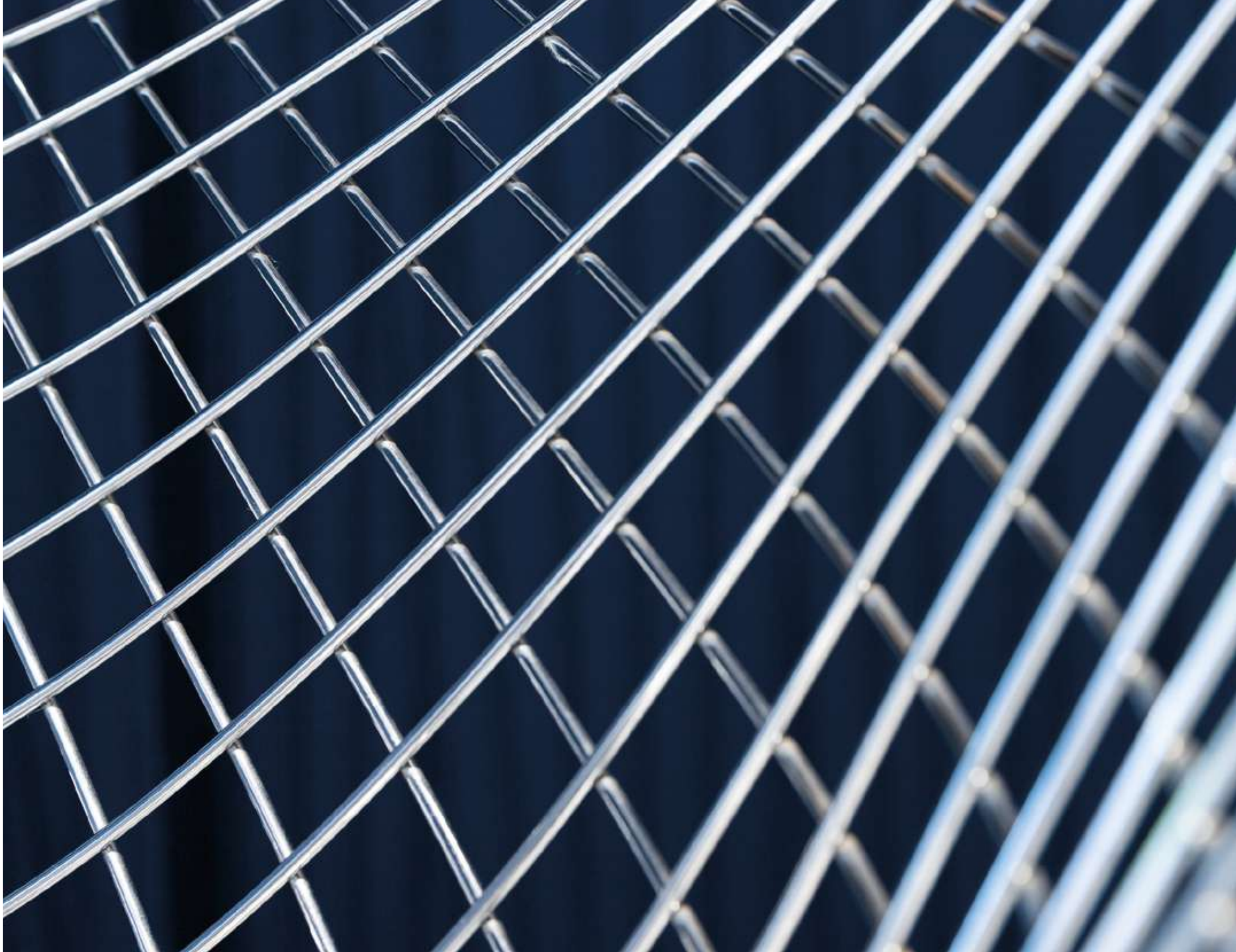
PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED

1. The undersigned, Stefano Pighini, as Chairman of the Board of Directors of LVenture Group, and Francesca Bartoli, as Corporate Officer in charge of preparing the accounting documents of LVenture Group, hereby certify, also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998 as amended:
   - the adequacy in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures for the formation of the Separate Financial Statements in the period from 1 January to 31 December 2018.
2. It is also certified that the Separate Financial Statements:
   a. have been prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b. correspond to the accounting records and entries;
   c. are suitable to provide a true and fair view of the Company's financial position, profit and loss and cash flows.
3. The directors' report contains a reliable analysis of management performance and results, as well as the Company's situation, along with a description of the main risks and uncertainties to which it is exposed.

Rome, 12 March 2019

Francesca Bartoli
Corporate officer in charge of preparing the accounting documents

Stefano Pighini
Chairman of the Board of Directors



Report of the Board of Statutory Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS

Pursuant to art.153 of Italian Legislative Decree no. 58/1998

Dear Shareholders,

This report, drawn up pursuant to art. 153 and art. 154-ter para. 1 of Italian Legislative Decree no. 58/98 (the Consolidated Finance Act), reports on the activity carried out by the Board of Statutory Auditors of LVenture Group S.p.A. ("LVG" or also the "Company") during the year ended at 31 December 2018, in compliance with the relevant regulations, also taking into account what is laid out in the Rules of conduct of boards of statutory auditors of listed companies recommended by the Italian accounting profession and Consob communications on the matter of corporate controls and activities of the Board of Statutory Auditors. The company Baker Tilly Revisa S.p.A. has been engaged to audit the accounts, whose report on the 2018 Separate Financial Statements we hereby reference.

1. Introduction: Appointment and activities of the Board of Statutory Auditors

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of 29 April 2016, and its term of office ends with the Shareholders' Meeting to approve these financial Statements as at 31 December 2018. It consists of Carlo Diana, Chairperson, and Giovanni Crostarosa Guicciardi and Benedetta Navarra, standing auditors. In 2018, the company's Board of Directors held eight meetings, in which the Board of Statutory Auditors always participated; the Control and Risk Committee met seven times and the Board of Statutory Auditors was also present at those meetings due to the topics handled; the Board of Statutory Auditors itself met fifteen times, as well as a further four times in 2019 up until the date on which this Report was prepared. The control body also participated in the company's shareholders' meeting on 28 April 2018.

2. Supervision of observance of the law and the Articles of Association

During the year ended at 31 December 2018, we supervised observance of the law and the articles of association and we obtained information from the Directors at least every quarter on the activity carried out and on the most relevant transactions in terms of profit and loss, cash flows and the financial position resolved and carried out by the Company during the year. These transactions are described in detail in the Directors' Report, which should be referred to. Based on the available information, the Board of Statutory Auditors may reasonably guarantee that the operations carried out are compliant with the law and the articles of association and are clearly imprudent, in conflict with the resolutions passed by the Shareholders' Meeting or in conflict of interests and are inspired by the principles of proper administration. The significant events of the year which the Board of Statutory Auditors deems important to note in consideration of their significance and consistency with the management choices include:

- Share Capital Increase: the extraordinary shareholders' meeting of 30 April 2014 assigned to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, the delegation to increase the share capital, against payment, for a maximum amount of €4,990,000, inclusive of any share premium, to be carried out in one or more tranches, within five days of the date of the resolution, through the issue of ordinary shares, with the exclusion of the option right pursuant to paragraphs 4, first section, and 5 of art. 2441 of the Italian Civil Code; In accordance with that resolution, following the approval and subscription of two capital increases in March and May 2017 for a total of €2,573,000: - on 9 May 2018, a capital increase tranche in the amount of €1,162,000 was subscribed and paid in, €581,000 of which to be allocated to capital and €581,000 to the share premium; - on 12 December 2018, another capital increase tranche in the amount of €1,240,000 was subscribed, €620,000 of which to be allocated to capital and €620,000 to the share premium;
- Stock Options: the Shareholders' Meeting of 27 April 2018 also approved the adoption of a share-based incentive plan known as "2018-2021 LVG Incentive Plan for Executive Directors and Strategic Consultants", which provides for the assignment of option rights, free of charge, (the "Options") to subscribe a maximum of 1,478,110 ordinary shares of LVenture Group, in the ratio of 1 (one) share per Option, to Executive Directors, to directors with specific roles (other than independent directors), and to certain strategic consultants. Following approval of the above, the Shareholders' Meeting approved a delegation to the Board of Directors, pursuant to art. 2443 of the Italian Civil Code, to increase the share capital, against payment, in one or more divisible tranches, each of which is also deemed divisible, to service the LVG Incentive Plan, which may be exercised from 1 May 2018 until 1 January 2022, for a maximum of €1.5 million, including any share premium. Pursuant to art. 2441, paragraphs 5 and 6, of the Italian Civil Code, the Share Capital Increase, excluding the option right, reserved to the Plan Beneficiaries, provides for the issue of maximum of 1,478,110 new shares, with no nominal value, whose subscription price is determined by the Board of Directors. In execution of this delegation, and as described in more detail in the remuneration policies section of this report, the Board of Directors, at its meeting of 12 December 2018, resolved to increase the share capital of the Company, against payment and in tranches, by the final deadline of 1 January 2022, for a maximum amount of €916,428.20, of which €458,214.10 to be allocated to capital and €458,214.10 to the share premium, at an issue price of €0.62, excluding the option right, within the meaning of art. 2441, paragraphs 5 and 6, of the Italian Civil Code, by issuing up to 1,478,110 ordinary shares, with no indication of nominal value;
- Exit: 3 Exit transactions were signed in 2018 for a total amount of €560,000;

- Loan agreements: in 2018 the company concluded two mortgage agreements. The first, dated 21 February 2018, for a total of €800 thousand with the guarantee of Medio Credito Centrale, contracted with Banca Popolare di Sondrio, fixed interest rate of 3.95% and a five-and-a-half-year repayment plan, with a 15-month grace period. The second, dated 14 March 2018, for an equal amount, with the guarantee of Medio Credito Centrale, contracted with Banca Intesa; the repayment plan is set at 7 years with a grace period of 24 months, and has a 1-month floating rate Euribor rate plus a spread of 2.3%;

Subsequent events following the end of 2018 include:

- Capital increase: the shareholders' meeting of 22 February 2019 also approved a capital increase, against payment and in tranches, for a maximum of €1,450,000, to be released as from 31 July 2019 and by 15 February 2020, for an issue price of €0.725, €0.3625 to be allocated to share capital and €0.3625 to the share premium, by issuing up to 2,000,000 ordinary shares, with the exclusion of the option right to be offered in subscription to Futura Invest S.p.A.;
- Proposed Capital Increase: On 4 March 2019, the Board of Directors also resolved to submit to the Shareholders' Meeting, convened, in ordinary and extraordinary session, for 17 April 2019 on first call and, if necessary, 18 April 2019 on second call: - the proposed share capital increase against payment, to be offered as an option to existing shareholders, for a maximum amount of €8 million; - the granting of a mandate to the Board of Directors to authorise further reserved capital increases against payment, excluding the option right, for a maximum of €8 million to be carried out in the five years subsequent to the above mentioned Shareholders' Meeting.

3. Supervision of compliance with the principles of proper management and the adequacy of the organisational structure

We acquired knowledge of and supervised, insofar as we are responsible, the adequacy of the organisational structure of the Company and compliance with the principles of proper administration. To this end, we obtained information by participating in meetings of the Board of Directors and the Control and Risk Committee, meeting with the top management, the Independent Auditors and the heads of the company functions and carrying out additional inspection and control activities; we have no observations to make in this regard. The organisational structure is adequate overall in relation to the size of the company and the type of business conducted. With regard to the Company's adhesion to the Corporate Governance Code issued by the Borsa Italiana Corporate Governance Committee, please refer to paragraph 3 (Compliance) of the "Annual Report on corporate governance and ownership structures"; for our part, on 15 May 2018 we verified the independence of the members of this Board of Statutory Auditors and supervised the proper application of the criteria and assessment procedures adopted by the Board of Directors to evaluate the independence of its members. In this regard, there are no findings to be reported. The Director's Report, the information received by participating in the meetings of the Board of Directors and that received from the Chief Executive Officer, the Corporate officer in charge of preparing the accounting documents and the Independent Auditors did not show any atypical and/or unusual transactions with third parties or related parties.

4. Supervision of the internal control and risk management system

The Board of Statutory Auditors, identified as the "Committee for Control and Risk and for Accounting Audit" within the meaning of Italian Legislative Decree 39/2010, also as a result of the changes introduced by Italian Legislative Decree 135/2016 supervised the adequacy of the internal control and risk management systems through:

- Meetings with the top management of LVG to examine the internal control and risk management system;
- Periodic meetings with the Internal Audit in order to assess the method of planning work, based on identifying and assessing the main risks present in the processes;
- Regular participation in the sessions of the LVG Internal Control and Risk Committee and participation when the issues require it, joint handling of the issues with the committee;
- Discussion of the results of the work of the Independent Auditors;
- A constant flow of information to and from the Surveillance Body, an exchange of information which was also facilitated by the presence of a member of the Board of Statutory Auditors on the Body itself.

In carrying out its control activities, the Board of Statutory Auditors maintained a continuous dialogue with the control functions.

We participated in the meetings of the Control and Risk Committee held in 2018. During the year, the Director responsible for the Control System, with the assistance of the Control and Risk Committee, created a risk mapping system, which is periodically updated by the Corporate Secretariat. We acknowledge that the Control and Risk Committee submitted its Annual Report to the Board of Directors on 07 March 2019, which shows that the Internal control and risk management system of the Company is adequate with respect to the company's circumstances.

For all of 2018, we maintained a constant flow of information with the head of the internal audit function, Cristiano Cavallari. We acknowledge that the head of the internal audit function has an adequate level of independence and suitable resources for carrying out the function. We acknowledge that the head of the internal audit function regularly prepared periodic reports containing information on his activities, on the methods whereby risk management is conducted and on compliance with plans for limiting risk, in addition to having verified the suitability of the internal control and risk management system and the reliability of the information systems, including the accounting systems, promptly transmitting reports to the chairmen of the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors. We acknowledge that on 12 January 2019, the head of the internal audit function issued his annual report on the activities carried out, finding that the organisational and management procedures and operational practices are substantially compliant with reference sector regulations and that no elements emerged which may compromise the overall adequacy of the Company's Internal Control System.

On 1 February 2019, the Supervisory Board issued its annual report which showed that appropriate training should be provided with regard to new employees in relation to the dissemination of the model. The Organisation, management and control model pursuant to Italian Legislative Decree no. 231/01 was completed in 2017, and 2018 was the first year in which it was fully applied. On 14 November 2018 the Board of Directors, on the Supervisory Board's initiative, approved the update to the Model pursuant to Law 231 of LVenture Group S.p.A., general part, as well as the additional protocol in the matter of "Handling complaints, Whistleblowing System"; the presence of a member of the Board of Statutory Auditors in the Supervisory Body has ensured a constant flow of information between these two bodies.

The company has an internal control and risk management system, within which the Chief Executive Officer has the role of Director responsible for the internal control and risk management system. We acknowledge that the Director responsible for the Control System submitted to the Company's Board of Directors the Report on the internal control system addressed to the Company's Board of Directors' meeting held on 12 March 2019, in compliance with the recommendations of the Corporate Governance Code. The Director's Report makes it possible to confirm the steps made towards the adoption of an effective control and risk management system.

Based on the activity carried out, the information acquired, the content of the reports of the control functions, the Board of Statutory Auditors deems the structure of the internal control and risk management system as a whole to be substantially adequate, noting that there are no findings to be submitted to the Shareholders' Meeting.

5. Supervision of the administrative/accounting system and the financial reporting process

As the committee for internal control and accounting audit, the Board of Statutory Auditors monitored the process and controlled the effectiveness of the internal control and risk management systems as regards financial reporting.

The Board of Statutory Auditors has established the existence of an adequate process for the formation and dissemination of financial information including during regular meetings with the Corporate Officer in charge of preparing the accounting documents.

We supervised the adequacy of the administrative/accounting system by obtaining information, examining the company documents and holding periodic meetings with the managers of the Independent Auditors and the Corporate officer in charge of preparing the accounting documents, and we believe that, insofar as we have found and confirmed, the administrative/accounting system accurately provides a true and fair value of operations, also with reference to the positive opinion pursuant to the Report on the Separate Financial Statements issued by the Independent Auditors.

In periodic meetings with the Board of Statutory Auditors, pursuant to art. 2409-septies of the Italian Civil Code, the managers of the Independent Auditors did not report any critical situations that could harm the internal control system pertaining to administrative/accounting procedures.

6. Supervision of related party transactions

We acknowledge that we acquired the necessary information on transactions with third parties, related parties and group companies, based on which we found that:

- the Company did not carry out atypical and/or unusual transactions with third parties or with related parties;
- in 2018, the Company did not carry out significant transactions with related parties, as duly specified in the Separate Financial Statements.
- the transactions that were already in place with related parties continued, in particular transactions with members of the Board of Directors, the Board of Statutory Auditors and the Corporate Officer in charge of preparing the accounting documents.

7. Supervision of independent audit of the accounts

Pursuant to art. 19 of Italian Legislative Decree 39/2010 the Board of Statutory Auditors is also identified as the Committee for Internal Control and Accounting Audit, and conducted the required supervisory activity on the independent audit of the annual accounts. The Board of Statutory Auditors periodically met with the managers of the Independent Auditors, Baker Tilly Revisa S.p.A., with which the planned exchange of information has been put in place. During these meetings, we were informed about the fundamental issues arising during audit, and no facts deemed objectionable or irregularities such as to require reporting pursuant to art. 155, paragraph 2, of the Consolidated Finance Act emerged.

The Board of Statutory Auditors met with the Independent Auditors on 27 July 2018 and 10 September 2018 to exchange information on the progress of the work on the half-yearly financial statements. On 14 September 2018 the Independent Auditors issued a report on the limited audit of the Condensed Half-Yearly Financial Statements without highlighting any findings.

The Draft Financial Statements for the year ended at 31 December 2018, accompanied by the Directors' Report as well as the certification by the Corporate officer in charge of preparing the accounting documents, was submitted for the approval of the Board of Directors at the meeting of 12 March 2018 and was concurrently made available to the Board of Statutory Auditors. The Board of Statutory Auditors supervised observance with provisions of law and those to which the law makes reference, which govern the preparation of the above-mentioned documents, through audits and the acquisition of information from the Directors, the Administration and Finance function and the Independent Auditors.

We acknowledge that:

- The following financial statements take into account that the Company adopted IFRS 9 as from 1 January 2018. This led to a change in the accounting standards compared to those adopted in drafting the financial statements as at 31 December 2017, resulting in reclassifications and value adjustments for the financial statement items. In accordance with the provisions regarding the transition to IFRS 9, the Company has recalculated the data prior to 1 January 2018, which are presented for comparison purposes. The result for 2018 includes this change in accounting standards, benefiting from a positive effect on the income statement for the fair value measurement of startups for €2,210,000.00.
- in the preparation of the Financial Statements, IFRS 7 and 13 were used with respect to valuations of equity investments; their application was agreed upon with the Independent Auditors.

We also acknowledge that the company tested the value of the intangible assets recognised in the Financial Statements for impairment in compliance with IAS 36. The Company's Separate Financial Statements at 31 December 2018, which show a profit for the year of €401,094.49, were prepared in compliance with the international accounting standards ("IAS/IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

On 26 March 2019, the Independent Auditors issued its Report on the Separate Financial Statements for the year ended 31 December 2018, within the meaning of Articles 14 and 16 of Italian Legislative Decree 39/2010, which includes no findings.

On 26 March 2019 the Independent Auditors also presented to the Board of Statutory Auditors the additional report pursuant to art. 11 of Regulation EU 537/2014, based on which there are no significant shortcomings in the internal control system relating to the financial reporting process worth being brought to the attention of the parties responsible for governance. The Additional Report also includes the declaration regarding independence pursuant to art. 6, paragraph 2 a) of Regulation EU 537/2014, based on which there are no situations which could compromise independence.

8. Remuneration Policies

On 27 April 2018, the Board of Directors established a Remuneration Committee, which is entrusted with the investigation, consultation and proposal duties referred to in art. 6 of the Corporate Governance Code.

Note that the Shareholders' Meeting of 27 April 2018 approved the adoption of a share-based incentive plan known as "2018-2021 LVG Incentive Plan for Executive Directors and Strategic Consultants", which provides for the assignment of option rights, free of charge, to subscribe a maximum of 1,478,110 ordinary shares of LVenture Group, in the ratio of 1 share per Option, to Executive Directors, to directors with specific roles (other than independent directors), and to certain strategic consultants. Following approval of the above, the Shareholders' Meeting approved a delegation to the Board of Directors, which on 12 December 2018, with the prior consent of the Board of Statutory Auditors issued pursuant to art. 2389, paragraph 3, of the Italian Civil Code on 11 December 2018:

(1) approved the share capital increase, against payment and in tranches, by the final deadline of 1 January 2022, for a maximum nominal amount of €916,428.20, excluding the option right, within the meaning of art. 2441, paragraphs 5 and 6, of the Italian Civil Code, by issuing up to 1,478,110 ordinary shares, with the same rights as the shares outstanding at the date of exercise of the option right, in accordance with the mandate described in the introduction;

(2) resolved to fix at €0.62 the purchase price of the new shares deriving from the exercise of the options allocated to the beneficiaries of the "2018-2021 LVG Incentive Plan for Executive Directors and Strategic Consultants".

9. Omissions or objectionable events, opinions provided and initiatives taken

During 2018, the Board of Statutory Auditors did not receive reports pursuant to art. 2408 of the Italian Civil Code, nor did it receive statements from third parties.

In 2018, the Board of Statutory Auditors issued the following opinions:

- a favourable opinion on the approval of the work plan of the head of the Internal Audit function;
- a favourable opinion, pursuant to art. 2389, paragraph 3, of the Italian Civil Code, in relation to the proposal to remunerate Executive Directors with a stock option plan as referred to in point 8 of this report.

On 12 March 2018, the Board of Statutory Auditors submitted to the Shareholders' Meeting, called to decide "on the increase of the fees to the independent auditors", a proposal relating to the above-mentioned increase in remuneration.

During the activities carried out and based on the information obtained, no omissions, objectionable events, irregularities or significant circumstances were detected which would require reporting to the Supervisory Authorities or mention in this report.

10. Conclusions

Taking account of all of the above, considering the content of the reports drawn up by the Independent Auditors and acknowledging the certification issued by the Corporate officer in charge of preparing the accounting documents, the Board of Statutory Auditors hereby issues a favourable opinion on the approval of the Separate Financial Statements of LVenture Group S.p.A. at 31 December 2018 and the proposal of the Board of Directors formulated as follows:

- to cover the previous year losses of €934,350.26 with the "Share premium reserve";
- to allocate 5% of the profit for the year, in the amount of €20,054.72, to the "Legal reserve";
- to allocate the remaining part of the profit for the year, in the amount of €381,039.77, to the "Undivided profits reserve";
- to transfer the profits arising from the first-time application of IFRS 9, in the amount of €3,960,375.00, to the "Undivided profits reserve".

Rome, 26 March 2019

The Board of Statutory Auditors

Carlo Diana

Benedetta Navarra

Giovanni Crostarosa Guicciardi

Report of the Independent Auditors

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ART. 14 OF LEGISLATIVE DECREE N. 39 DATED JANUARY 27, 2010 AND ART. 10 OF REGULATION (EU) N. 537/2014

(Translation from the original Italian text)

To the Shareholders of LVenture Group S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of LVenture Group S.p.A. (the Company), which comprise the statement of financial position at December 31, 2018, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flows statement for the year then ended, and the explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true e fair view of the financial position of the Company at December 31, 2018, and of the economic result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued to implement article 9 of Legislative Decree N. 38/2005.

Basis for opinion

We conducted our audit in accordance with international standards on auditing (ISA Italia). Our responsibilities under those standards are described in detail in the section of this report titled *Auditor's responsibilities for the audit of the Financial Statements*. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Securities and equity investments

The non-current assets of the financial statements at December 31, 2018, include the item "*Securities and equity investments* " for a total amount of 15.2 millions euro, corresponding to 73.8% of the total assets. This item includes the equity investments (*micro seed financing* e *seed financing*) in startup companies operating in the digital world (*Information & communication tecnology, Online media, Apps, E-commerce,* *Gaming on line*), admitted to acceleration programs activated by the Company with the aim of supporting its growth, through an active investment management, in order to realize capital gains from their subsequent sale over a medium-long term period.

Investments in startups have been considered a key audit matters both for the importance of the value recorded in the financial statements in relation to total assets, and for the significant risks of errors inherent in their fair value measurement (level 3), whose determination implies use of estimation processes that take into consideration parameters and indicators characterized by a high level of uncertainty, as they depend on assumptions for the realization of future events and are based on general nature assumptions that will not surely occur. The main parameters taken into consideration are the acquisition cost and the values underlying the subsequent capital increases with or without the participation of third-party investors, while the indicators mainly depend on the achievement of the objectives established in terms of development of the startup business as well as any situations of difficulties manifested by the same.

Information relating to the item " Securities and equity investments" has been provided by the directors in the explanatory notes to the financial statements and in particular at Paragraph 3. *Use of estimates and causes of uncertainty*, at Paragraph 6.4 *Measurement criteria and accounting standards – Equity investments in startups*, and at Paragraph 10. *Securities and equity investments.*

The main audit procedures performed to address the key audit matters described above are listed below:

- examination of the document on the startups evaluation adopted by Board of Directors and testing that the assessment methods defined are in line with the industry best practice and comply with the relevant accounting standards;
- analysis of the composition of the startup investments portfolio at December 31, 2018, and of the variances from the prior year's figures, with the involvement of the responsible corporate functions;
- testing on a sample basis of the changes in the startup investments portfolio, both for new acquisitions or disposals and for the adjustment of the previous valuation, with the documentation underlying the specific investment transactions and the other evidences and information acquired;
- testing on a sample basis of the correct application of the evaluation methods defined in the startups evaluation document adopted by Board of Directors;
- testing of the correct representation of the investments in startups in the financial statements in accordance with the applicable financial reporting regulatory framework.

Responsibilities of the directors and the statutory audit committee ("collegio sindacale") for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued to implement article 9 of Legislative Decree N. 38/2005 and, in the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the application of the going concern assumption, and for appropriate disclosure thereof. The directors prepare financial statements on a going concern basis unless they either intend to liquidate the Company or to cease trading, or have no realistic alternative but to do so.

The statutory audit committee ("collegio sindacale") is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance that, but is not a guarantee that an audit performed in accordance with international standards on auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of these financial statements.

As part of the audit in accordance with international standards on auditing (ISA Italia), we exercised professional judgement and maintained professional skepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- We obtained an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in such a manner as to give a true and fair view.

We communicated to those charged with governance, identified at an appropriate level as required by ISA Italia, among other matters, the scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated to them any circumstances that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to those charged with governance, we identified those that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We described these matters in our auditor's report.

Additional information pursuant to art. 10 of Regulation (EU) N. 537/2014

The shareholder's general meeting of LVenture Group S.p.A. on May 6, 2013 engaged us to perform the statutory audit of the company's separate and consolidated financial statements for the years ending 31 December 2013 to 31 December 2021.

We declare that we have not provided prohibited non-audit services, referred to art. 5, par. 1, of Regulation (EU) N. 537/2014, and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the content of the additional report to the audit committee ("collegio sindacale"), in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation (EU).

REPORT ON COMPLIANCE WITH OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2, letter e) of Legislative Decree N. 39/2010 and art. 123-bis, paragraph 4, of Legislative Decree N. 58/1998

The Directors of LVenture Group S.p.A. are responsible for preparing the report on operations and the report on corporate governance and ownership structure of LVenture Group S.p.A. at December 31, 2018, including their consistency with the related financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) N. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in art. 123-bis, paragraph 4, of Legislative Decree N. 58/1998, with the financial statements of LVenture Group S.p.A. at December 31, 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of LVenture Group S.p.A. at December 31, 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree N. 39/2010, issued on basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Turin, Italy
March 26, 2019

Baker Tilly Revisa S.p.A.
Signed by: Nicola Fiore - Partner

This report has translated into the English language solely for the convenience of international readers.

GLOSSARY

Business Angel: this is an informal investor in the risk capital of a company. The adjective “informal” distinguishes this party from “formal” investors in risk capital, i.e., those which adopt a formal analysis approach to equity investments, such as closed-ended investment funds, more specifically, venture capital and private equity funds.

Civil Code: the Italian Civil Code.

Corporate Governance Code: the Corporate Governance Code for listed companies approved in December 2011, which LVenture Group follows, most recently updated in July 2014 by the Corporate Governance Committee, promoted by Borsa Italiana S.p.A., the Italian Banking Association, Ania, Assogestioni, Assonime and Confindustria.

Board: the Board of Directors of LVenture Group.

Corporate Officer in charge of preparing the accounting documents: the corporate officer in charge of preparing the accounting documents pursuant to art. 154-bis of the Consolidated Finance Act.

Year: the financial year to which the Report refers.

Exit: this is the moment in which LVenture Group exits its investment in the startup through the sale of the equity investment.

Fair Value: IFRS 13 defines fair value as a market valuation criteria, not specific to the entity. While for certain assets and liabilities there may be observable market transactions or information available, for other assets and liabilities, such information may not be available. Nonetheless, the purpose of the fair value measurement is the same in both cases: estimating the price at which an orderly transaction for the sale of an asset or transfer of a liability would take place between market participants at the measurement date at current market conditions (i.e. a closing price at the measurement date from the point of view of the market participant that holds the asset or liability).

Luiss Guido Carli: LUISS - Libera Università Internazionale degli Studi Sociali Guido Carli - is an autonomous university launched between 1974 and 1978 from a pre-existing Roman institution, Pro Deo.

Model: the organisation and management model pursuant to Italian Legislative Decree no. 231/2001.

Related Parties: the parties pursuant to art. 3, paragraph 1, of the Related Party Regulation.

Post Money: this is the valuation of 100% of the own capital of a startup (shares or units) used to calculate the percentage of capital acquired by parties which invest in the startup by contributing new financial resources through subscription of a share capital increase. The post-money valuation can be calculated starting from the pre-money valuation by adding the amount of the share capital increase, i.e., dividing the amount of the share capital increase by the percentage of the share capital obtained by subscribing it.

Pre Money: this is the valuation of 100% of the own capital of a startup (shares or units) before the contribution of new financial resources. The pre-money valuation can be used as a basis for the determination of the post-money valuation, or may be calculated implicitly by subtracting the amount of the share capital increase from the post-money valuation.

Issuers' Regulations: the Regulations issued by Consob with resolution no. 11971 of 1999 (as amended) on issuers.

Market Regulation: the Regulation issued by Consob with resolution no. 16191 of 2007 (as amended) on markets.

Related Party Regulation: the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as amended) on related party transactions;

Special type of convertible notes: this term refers to the instruments issued pursuant to Italian Legislative Decree 179/2012 and art. 2346, paragraph 6 of the Italian Civil Code, which have property rights or also administrative rights, excluding the right to vote in the company's shareholders' meeting, and any other loan also associated with rights of conversion into capital pursuant to articles 2467, 2483 and 2420-bis of the Italian Civil Code.

Seed Capital: this refers to the activity of financial investment in the study, establishment and start-up phases of a new company, with potential for growth that is not yet fully assessable and financial commitments which are typically limited and meant to cover the initial operating expenses necessary to carry out the research and development phases for the configuration of the products or services that will constitute the subject of the business project, which at that point will be capable of attracting the attention of venture capital funds (micro seed is when the contribution is very limited, and aimed substantially at covering the minimum costs to study and configure the initiative); investment risk is very high, but the average contribution is rather limited, and therefore this risk can be managed from an investment portfolio perspective.

Internal Control and Risk Management System: the internal control and risk management system.

Website: the website of LVenture Group S.p.A. - www.lventuregroup.com.

Company or LVenture Group: LVenture Group S.p.A.

Consolidated Finance Act: Italian Legislative Decree no. 58 of 24 February 1998.

Venture Capital: refers to the activity of institutional financial investment in the launch and development phases of a new business with potential for considerable growth in the medium/long-term and, in exchange, the assumption of high investment risk.

ZMV: Zernike Meta Venture S.p.A. (wholly-owned subsidiary of Meta Group S.r.l.) is a company specialised in loans aimed at innovation and the creation of new companies.

LVenture
GROUP

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