Offices in Milan - Piazza A. Diaz 7
Share Capital EUR 87.907.017 fully paid-in
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www.mittel.it

# Consolidated half-yearly financial report

# (1 January 2019 – 30 June 2019)

This is an **English courtesy translation** of the original documentation prepared in Italian language. Please consider that only the original version in Italian language has legal value

134th company year

# Contents

**Board of Directors**

| |
|---|
| *Chairman* |
| Michele Iori (b) |
| *Deputy Chairman* |
| Marco Giovanni Colacicco (b) |
| *Directors* |
| Anna Francesca Cremascoli (b) |
| Patrizia Galvagni (a) (c) (e) |
| Gregorio Napoleone (a) (d) (e) |
| Riccardo Perotta (a) (c) (d) (e) |
| Anna Saraceno |
| *Manager in charge of financial reporting* |
| Pietro Santicoli |

**Board of Statutory Auditors**

| |
|---|
| *Standing auditors* |
| Fabrizio Colombo - Chairman |
| Giulio Tedeschi |
| Federica Sangalli |
| *Alternate auditors* |
| Stefania Trezzini |
| Alessandro Valer |

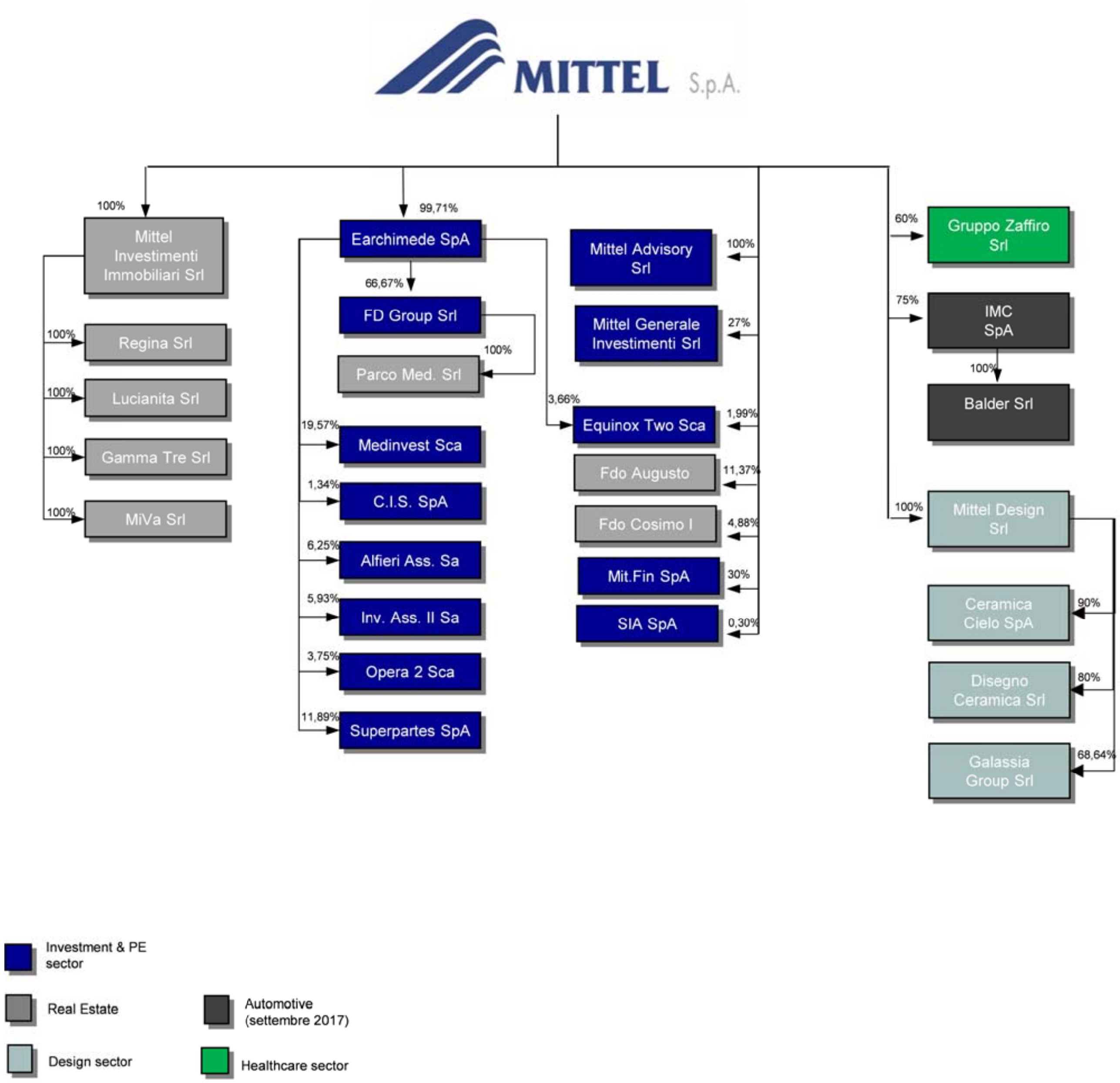
**Independent Auditors**

KPMG S.p.A.

(a) Independent Director
(b) Member of the Executive Committee
(c) Member of the Control and Risks Committee
(d) Member of the Remuneration and Appointments Committee
(e) Member of the Related Party Committee

The duration of the Company shall be until 31 December 2100, as stated in art. 4 of the Articles of Association.

## Group Structure
## as at 25 September 2019



## Directors' Report on Operations

### Introduction

At the date of this Report, the first phase of reorganisation of the Group has now been completed, characterised by a significant transformation into an industrial holding company that began in 2016 and intensified following the recent change in the Company's governance model. As periodically communicated, including in previous financial reports, the process led to a significant reduction in holding costs, a substantial recovery of financial resources from non-core assets, and a focus on developing new strategic investments.

In recent months, the Group's management, maintaining a high level of attention on all the opportunities for new investments present in the market, has implemented measures to strengthen the operating sectors of the companies which have received considerable strategic investments so far. These investments, despite a reference macroeconomic scenario characterised by temporary weakness, have strong medium- to long-term income prospects. Please note that the Group currently operates:

- in the healthcare sector, through Gruppo Zaffiro S.r.l., which, beginning in November 2016 (date it was acquired by Mittel S.p.A.) confirmed that it is a solid platform for aggregating other companies in the healthcare sector, with the aim of becoming a reference point for the market within a few years, which presents a clear structural growth trend associated with demographic and social factors, while the offer structure is still highly fragmented with significant room for combination;
- in the production and marketing of designer ceramic sanitary-ware and accessories for the luxury sector in Italy and abroad, through Ceramica Cielo S.p.A., a company acquired in June 2017 that offers products characterised by a stylistically avant-garde design and an innovative use of materials (with particular attention to R&D and obtaining excellence awards) and the two new companies acquired at the end of June 2019, Galassia Group S.r.l. and Disegno Ceramica S.r.l., as part of the transactions to create an aggregation platform in the bathroom fixtures sector in which Italy holds, as a result of its design products, a significant and globally recognised position;
- in the automotive components sector (cold moulding, on steel and aluminium elements, of structural and internal components for the primary producers in the automotive sector), through IMC - Industria Metallurgica Carmagnolese S.p.A., a company acquired in September 2017, recognised in the sector for its considerable technological know-how and high service standards offered to customers.

More specifically, in the first half of 2019, after the initial build-up operations carried out in 2018 by Gruppo Zaffiro S.r.l. (acquisitions of the Villa Speranza nursing home in Sanremo and Villa Gisella nursing home in Florence, launch of the construction project for the new nursing home in Pogliano Milanese and inauguration of the one in Rivignano), the intense scouting and analysis efforts carried out by the management of Mittel S.p.A. and key managers of the investee operating companies led to the following additional important transactions:

- in June, Gruppo Zaffiro S.r.l. signed a contract with Primonial, one of the leading European investors in the Real Estate sector, to develop nursing homes in Italy, for which Primonial will retain ownership of the real estate component, with operational management of the facilities assigned to Zaffiro Group; the agreement reached will allow a considerable acceleration of the Group's growth plans, which aim to reach management of more than 5,000 beds over the next few years, freeing significant resources for new investments and at the same time enhancing the value of owned real estate;
- also in June, continuing the growth process in the Design sector, Mittel finalised the acquisition of 69% of Galassia Group S.r.l. and 80% of Disegno Ceramica S.r.l., two long-standing businesses in the ceramics district of Civita Castellana; the transaction strengthens the ambitious project to develop a hub of excellence in the design sector around Ceramica Cielo S.p.A., characterised by clear recognition in various segments and products, establishing a group with more than 350 employees.

At the same time as the investment transactions, the operating cost containment measures and the valuation of non-core assets in the portfolio continued, in order to generate new funding for investments. Specifically:

- with regard to disposals, the sale process for the traditional portfolio of non-strategic assets continued, which in the first half of 2019 mainly involved the property inventories and some financial receivables held by the Group;

- in relation to the rationalisation measures on the Group’s corporate structure, in addition to the various operations carried out in previous years (including several mergers and liquidations), note in the first half of 2019: conclusion of the liquidation of Ghea S.r.l. and the placement in liquidation of two additional investees, Lucianita S.r.l. and Mittel Advisory S.r.l.; in the coming months, these transactions will produce their full effects in terms of simplification of management activities and cost reduction;
- from the perspective of available financial resources, the Group has used a portion of the considerable new financial resources made available following the process of selling non-core assets to repay the residual EUR 42 million bond which matured in July 2019, while maintaining significant financial resources for new transactions, consistent with the strategic objectives being implemented; recall that, during 2017, the Parent Company issued a second bond for EUR 129,5 million, currently outstanding and maturing in 2023, optimising its financial structure in terms of cost and duration.

Lastly, in the initial months of 2019, the members of the Executive Committee acquired the Company's share capital. This event has significant strategic value and strengthens the alignment of interests between the Company’s management and its Shareholders, representing an important commitment in carrying out the growth plans.

In the coming months, in line with the Strategic Plan and focusing on the creation of long-term value for all Shareholders, Mittel Group will complete the process of transforming into a holding company for industrial investments, while proceeding with the process of recovering financial resources from previous real estate initiatives and financial receivables, also benefiting from the launch in recent months of specific asset-for-asset value creation projects with dedicated project teams, as well as the process of simplifying the corporate structure, resulting in additional cost reductions.

## Group performance

## Group Performance

It should be noted that due to the first application of IFRS 16 (Leases), this financial report shows balances that are not fully comparable with those of the comparison period. In fact, this standard, which involves, very briefly, recognition in fixed assets of the right of use for leased assets and the inclusion in liabilities of the related financial payable, has had a considerable effect on the statement of financial position and income statement balances as at 30 June 2019 (and in particular those of the Nursing Home sector, characterised by long-term lease contracts), resulting in the following main effects:

- EUR 166,2 million positive impact on fixed assets;
- EUR 178,6 million negative impact on consolidated net financial position;
- EUR 3,7 million negative impact on equity pertaining to the Group;
- EUR 4,0 million positive impact on EBITDA;
- EUR 0,7 million negative impact on the Group's net result.

In addition, as a result of the specific accounting rules for sale and lease-back transactions envisaged by the new standard, a capital gain of EUR 5,7 million was not recognised (EUR 4,1 million net of the effects for deferred tax assets recognised, of which EUR 3,1 million pertaining to the Group), which was earned as part of a large sale transaction for the real estate component of the Rivignano nursing home. This amount will entail recognition in the future of an economic benefit over the lease term, represented by the lower amortisation that will be recorded on the relative right of use, currently recognised in assets at the original value.

Excluding the accounting effects described above, the consolidated net result was positive for EUR 0,8 million in the first half of 2019, with EUR 0,3 million pertaining to the Group and EUR 0,5 million to non-controlling interests.
This profit was generated by a positive operating margin of EUR 9,5 million, mainly attributable to the contribution of the positive operating margins of the majority shareholdings acquired in recent years. Instead, the two new companies in the Design sector (Galassia Group S.r.l. and Disegno Ceramica S.r.l.) were consolidated only in terms of equity, due to the timing of the relative acquisitions, concluded just at the end of the first half, which resulted in the income statement contribution solely of the related transaction costs incurred.
The positive operating margin described above is offset by amortisation, depreciation and allocations, totalling EUR 6,0 million and primarily attributable to the amortisation of the rights of use recognised pursuant to IFRS 16 (EUR 3,2 million) and depreciation of other tangible assets for industrial subsidiaries (EUR 2,7 million), and in particular, for IMC (EUR 2,0 million), which presents property, plant and equipment to which substantial portions of the total amount paid upon acquisition were allocated.
The loss from financial management, amounting to EUR 5,0 million, is relative to the financial expenses recognised in accordance with IFRS 16 for EUR 2,2 million and the residual EUR 2,8 million for charges on the financial debt (Mittel S.p.A. bonds and bank debt of the operating subsidiaries), net of interest income accrued on residual financial receivables held by the Group.
Lastly, the net result was affected by non-recurring costs for EUR 1,3 million, related to the valuation of residual non-core financial assets owned, and positive income components related to taxation for EUR 3,1 million, essentially attributable to the recognition of deferred tax assets due to the application of IFRS 16 and the recalculation of latent tax benefits that can be used as part of the Parent Company's tax consolidation.

The Group equity as at 30 June 2019 amounted to EUR 215,1 million, a decrease of around EUR 6,1 million compared to EUR 221,2 million as at 31 December 2018. The net result pertaining to the Group, positive for EUR 0,3 million, is in fact offset by contrasting movements in equity, with no impact on the income statement, totalling negative EUR 6,4 million. The main changes in the statement of financial position include:

- the negative impact, for EUR 3,0 million, from the first application of the IFRS 16 international accounting standard (effective 1 January 2019);
- the reduction of EUR 3,6 million linked to the accounting effects of the increase (from 80% to 90%) of the shareholding in the investee Ceramica Cielo S.p.A. (difference between the amount paid and the net accounting value pertaining to the shareholding percentage that was acquired, which cannot be recognised as incremental goodwill in accordance with international accounting standards).

The consolidated net financial position is negative for EUR 206,2 million, a decrease from EUR 29,5 million recorded as at 31 December 2018, mainly due to the effect of applying IFRS 16, which resulted in the recognition of payables for future lease instalments totalling EUR 178,6 million, of which EUR 164,4 million for the Nursing Home sector.

## Financial highlights of the Group

The economic, equity and financial tables below are shown in reclassified form with respect to those contained in subsequent paragraphs, in order to highlight certain intermediate results and the equity and financial aggregates deemed most significant for understanding the Group's operating performances. These amounts, even though not provided for by IFRS, are supplied in compliance with the indications in Consob Communication no. 6064293 of 28 July 2006 and CESR Recommendation dated 3 November 2005 (CESR/05-178b).

This report contains several financial ratios, deriving from the financial statements, which provide an overview of the Group's economic, equity and financial performance. Details of economic items not taken directly from the financial statements, and comments and evaluations, help to better qualify the trends in the different values.

### Main economic figures of the Group

| (Thousands of Euro) | **30.06.2019** | **30.06.2018** |
|---|---|---|
| Revenue and other income | 68.056 | 59.498 |
| Increases (decreases) in inventories | (9.890) | (3.576) |
| **Net revenue** | **58.166** | **55.921** |
| Purchases, provision of services, sundry costs | (31.254) | (32.882) |
| Personnel costs | (17.402) | (15.155) |
| **Operating costs** | **(48.656)** | **(48.037)** |
| **Operating margin (EBITDA)** | **9.510** | **7.884** |
| Amortisation/depreciation, allocations and adjustments to non-current assets | (6.058) | (3.002) |
| Share of income (loss) of investments | (60) | (585) |
| **Operating result (EBIT)** | **3.392** | **4.297** |
| Profit (loss) from financial management | (4.991) | (3.102) |
| Result of management and valuation of financial assets and receivables | (1.053) | 1.918 |
| **Profit (loss) before taxes** | **(2.652)** | **3.113** |
| Taxes | 3.459 | 1.542 |
| **Net profit (loss) for the year** | **807** | **4.655** |
| Profit (loss) pertaining to non-controlling interests | 458 | 1.201 |
| **Profit (loss) pertaining to the Group** | **349** | **3.454** |

Consolidated revenue and other income of industrial sectors as at 30 June 2019 (represented by the Nursing Home sector, part of Gruppo Zaffiro S.r.l., the Automotive sector, which includes IMC and its subsidiary Balder, and the Design sector, which includes only Ceramica Cielo during the first half under review) is particularly significant, equivalent to EUR 55,5 million, corresponding to nearly 80% of consolidated revenue and other income (equal to EUR 68,1 million).

During the first half, these industrial sectors contributed in generating a broadly positive consolidated operating margin, equivalent to EUR 9,5 million (EUR 7,9 million as at 30 June 2018), as a result of the following net contributions by sector:

- *Nursing Homes*: EBITDA of EUR 5,6 million (EUR 1,4 million as at 30 June 2018), positively influenced by both the application of IFRS 16 (EUR 3,1 million), which resulted in lease instalments no longer being recognised as operating costs, as well as the positive performance of the Group's ambitious growth project, with the important contribution to the Nursing Home sector's result for the recent openings (Rivignano) or acquisitions (Sanremo and Villa Gisella);

- *Design*: EBITDA of EUR 3,9 million (EUR 3,0 million as at 30 June 2018), a notable increase, despite the negative contribution (EUR 0,7 million) of transaction costs incurred for the acquisitions of Galassia Group S.r.l. and Disegno Ceramica S.r.l. (whose margins were not yet consolidated in the first half), as a result of continued growth in revenues and profits for Ceramica Cielo S.p.A.;
- *Automotive*: EBITDA of EUR 3,5 million (EUR 6,4 million as at 30 June 2018), a significant decline due to the negative trend in sector demand within an overall macroeconomic scenario of contingent weakness;
- *Real Estate*: negative EBITDA of EUR 0,4 million (negative for EUR 0,3 million as at 30 June 2018), but with strong revenue growth (EUR 12,3 million compared to EUR 5,7 million in the first half of last year), in confirmation of the particularly positive performance in sales of the large property inventories held by the Group;
- *Equity and Investments*: negative EBITDA of EUR 3,1 million (negative for EUR 2,5 million as at 30 June 2018), affected by the absence of Advisory sector profits beginning in 2019 (with the sale of the investment previously held by the Group in Ethica & Mittel Debt Advisory).

Details on the most significant of these items are presented below.

- **Revenue and other income**: this reclassified item includes the financial statement items for revenue and other income, which, as at 30 June 2019 had a balance of EUR 68,1 million, (EUR 59,5 million as at 30 June 2018). This balance was the combined result of the following factors:
  (i) revenue recognition for EUR 66,1 million (EUR 58,1 million as at 30 June 2018); the following sectors primarily contributed to this total:
    - the Nursing Home sector (Gruppo Zaffiro S.r.l. and subsidiaries) totalled EUR 20,0 million (EUR 14,0 million in the comparison period);
    - the Automotive sector (IMC S.p.A. and Balder S.r.l.) for EUR 18,8 million (EUR 23,5 million in the comparison period);
    - the Design sector (Ceramica Cielo S.p.A.) for EUR 14,9 million (EUR 13,4 million in the comparison period);
    - the Real Estate sector for EUR 12,3 million (EUR 5,7 million as at 30 June 2018);

  (ii) the recognition of other income for EUR 2,0 million (EUR 1,4 million in the comparison period), of which EUR 1,1 million relating to the Design sector.

- **Increases (decreases) in inventories**: the negative contribution recorded in the half, amounting to EUR 9,9 million (EUR 3,6 million as at 30 June 2018), is due to the net effect of:
  (i) the reduction for offloading of selling costs of property inventories for EUR 11,0 million (EUR 4,7 million as at 30 June 2018);
  (ii) the increase in property inventories for costs capitalised and other changes during the period for EUR 0,5 million (in line with the figure for 30 June 2018);
  (iii) the net increase in inventories in the Design sector (Ceramica Cielo S.p.A.) for EUR 0,5 million (net reduction of EUR 0,1 million in the comparison period);
  (iv) the slight net increase in inventories of the Automotive sector for EUR 0,1 million (EUR 1,1 million in the comparison period).

- **Costs for purchases, provision of services, sundry costs**: this item, totalling EUR 31,3 million (EUR 32,9 million as at 30 June 2018), was heavily influenced by the operating costs of investees in the Automotive, Nursing Home, and Design sectors and includes costs for purchases of EUR 18,1 million (EUR 18,3 million in the comparison period), costs for services of EUR 11,7 million (EUR 13,3 million as at 30 June 2018), and sundry costs of EUR 1,5 million (EUR 1,3 million in the comparison period). The main contributors to this item were the following sectors:
  (i) the Automotive sector for EUR 12,7 million (EUR 15,2 million as at 30 June 2018);
  (ii) the Design sector for EUR 9,2 million (EUR 7,9 million as at 30 June 2018);
  (iii) the Nursing Home sector for EUR 5,8 million (EUR 6,3 million as at 30 June 2018);
  (iv) the Real Estate sector for EUR 2,1 million (EUR 1,4 million as at 30 June 2018);
  (v) the Parent Company Mittel S.p.A. for EUR 1,5 million (EUR 2,0 million as at 30 June 2018);

- **Personnel costs**: the item reported a balance of EUR 17,4 million (EUR 15,2 million as at 30 June 2018), of which EUR 9,2 million deriving from the Nursing Home sector (EUR 6,4 million in the comparison period), EUR 3,5 million relating to the Design sector (EUR 3,3 million as at 30 June 2018), EUR 2,9 million attributable to the Automotive sector (EUR 3,3 million in the comparison period), and EUR 1,6 million relating to the Parent Company Mittel S.p.A. (EUR 1,5 million in the comparison period).

- **Amortisation/depreciation, allocations and adjustments to non-current assets**: the item showed a total balance as at 30 June 2019 of EUR 6,1 million (EUR 3,0 million as at 30 June 2018), due to:
  (i) Amortisation/depreciation of intangible assets and property, plant and equipment of EUR 6,0 million (EUR 2,8 million in the comparison period), mainly due to amortisation of rights of use recognised as part of the application of IFRS 16 (EUR 3,2 million, of which EUR 2,5 million pertaining to the Nursing Home sector) and the remaining portion related to depreciation on other tangible assets held by the operating companies (EUR 2,0 million for Automotive sector, EUR 0,5 million for Design sector, and EUR 0,4 million for Nursing Home sector);
  (ii) Net allocations to the provision for risks and charges for EUR 0,1 million (in line with the comparison period).

- **Profit (loss) from financial management**: presented a net loss of EUR 5,0 million (loss of EUR 3,1 million in the comparison period); the item is attributable to financial expenses of EUR 2,2 million recognised in accordance with IFRS 16 (EUR 2,0 million pertaining to the Nursing Home sector) and the remaining EUR 2,8 million for expenses on the financial debt (Mittel S.p.A bonds and banking debt of the operating subsidiaries) net of interest income accrued on residual financial receivables held by the Group; more specifically, the Parent Company's contribution to this item (equal to EUR 2,8 million) is related to financial income for EUR 1,1 million (mainly due to interest accrued on residual financial receivables held) and financial expenses of EUR 4,0 million, almost entirely related to the two outstanding bonds, one of which was repaid at its contractual maturity in July 2019, which had contributed EUR 1,4 million.

- **Profit (loss) from management and valuation of financial assets, loans and receivables**: the item made a negative contribution to the consolidated income statement of EUR 1,0 million (positive for EUR 1,9 million as at 30 June 2018) and is explained by:
  (i) Net income from investments for EUR 0,3 million (EUR 0,2 million in the comparison period), composed of dividends collected in the period on non-qualified investments (around EUR 0,2 million) and the result of the deconsolidation of the investee Ethica & Mittel Debt Advisory S.r.l. (around EUR 0,1 million);
  (ii) Net value adjustments on financial assets and loans and receivables for EUR 1,3 million (net write-backs of EUR 1,7 million in the comparison period), essentially due to the effect of the fair value adjustment on residual real estate mutual funds and investment vehicles held by the Group, which entailed an adjustment to the total net value of EUR 1,3 million (net write-back of EUR 1,2 million in the comparison period); however financial receivables did not incur significant changes (write-back of EUR 0,5 million in the comparison period).

- **Taxes**: the item made a positive contribution to the consolidated income statement of EUR 3,5 million (positive for EUR 1,5 million as at 30 June 2018) and is primarily explained by the effect of:
  (i) the cost for current IRAP taxes of EUR 1,0 million, relative to the Nursing Home sector for EUR 0,7 million, the Design sector for EUR 0,2 million, and the Automotive sector for EUR 0,1 million;
  (ii) revenue from the release of deferred taxes allocated in previous years for EUR 0,5 million for the intervening gradual re-absorption of differences between tax values and accounting values for consolidated assets, recognised in prior years;
  (iii) income from the change in prepaid taxes for Euro 4,0 million, essentially attributed to the recognition of deferred tax assets due to the application of IFRS 16 and the recalculation of latent tax benefits that can be used as part as part of the Parent Company's tax consolidation.

**Main financial and equity figures of the Group**

| (Thousands of Euro) | **30.06.2019** | **31.12.2018** |
|---|---|---|
| Intangible assets | 79.059 | 73.369 |
| Property, plant and equipment | 226.401 | 46.889 |
| *- of which IFRS 16 rights of use* | *166.162* | - |

| | | |
|---|---|---|
| Investments | 6.057 | 6.121 |
| Non-current financial assets | 55.447 | 63.665 |
| Assets (liabilities) held for sale | - | 18.414 |
| Provisions for risks, employee severance indemnity and employee benefits | (8.885) | (6.834) |
| Other non-current assets (liabilities) | (198) | 746 |
| Tax assets (liabilities) | 4.574 | 2.821 |
| Net working capital (*) | 73.795 | 73.609 |
| **Net invested capital** | **436.251** | **278.800** |
| Equity pertaining to the Group | (215.086) | (221.153) |
| Non-controlling interests | (15.005) | (28.128) |
| **Total equity** | **(230.091)** | **(249.281)** |
| **Net financial position** | **(206.160)** | **(29.519)** |
| *- of which IFRS 16 financial liabilities* | *(178.591)* | *-* |

(*) Comprised of the sum of Property inventories, Sundry receivables (payables) and other current assets (liabilities)

As detailed below, the composition of the aforementioned items, and in particular intangible assets and property, plant and equipment, reflects the effects of the acquisitions made in previous years and of the two additional acquisitions at the end of the first half of 2019 in the Design sector (Galassia Group S.r.l. and Disegno Ceramica S.r.l.). Conversely, the progress of the disposal of non-core assets has led to a reduction in the related items in the statement of financial position (investments, financial receivables and other non-current financial assets) in recent years.

**Intangible assets** amounted to EUR 79,1 million (EUR 73,4 million as at 31 December 2018). The item, almost exclusively related to goodwill and trademarks, refers to goodwill relating to the acquisition (which took place in November 2016) of Gruppo Zaffiro S.r.l., company headed up by the Group of the same name active in the Nursing Home sector, for EUR 39.3 million, augmented by EUR 1.1 million relating to the value attributed to the trademark upon conclusion of the purchase price allocation (completed as at 31 December 2017). Also in the Nursing Home sector, additional goodwill was recognised against the build-up operations that were carried out last year related to the acquisition in March 2018 of the business unit of a nursing home based in Sanremo (EUR 0,5 million in goodwill) and the purchase in December 2018 of the company Villa Gisella, which owns a historic nursing home based in Florence (EUR 3,0 million in goodwill).
Goodwill relating to the acquisition of Ceramica Cielo S.p.A. (which took place in June 2017) amounted to EUR 5,6 million, augmented by EUR 4,3 million relating to the fair value measurement of the company's trademark, carried out upon conclusion (at 30 June 2018) of the purchase price allocation. Moreover, as regards the Design sector, provisional goodwill related to the acquisitions (which occurred at the end of the period) of Galassia Group S.r.l. (EUR 4,4 million) and Disegno Ceramica S.r.l. (EUR 1,1 million) was recorded as at 30 June 2019, pending the completion of the allocation process to the assets involved in the two business combinations, which will take place within one year of the acquisition date, as required by IFRS 3.
Lastly, goodwill of EUR 19,3 million was booked for the acquisition of IMC S.p.A. The goodwill recognised at the time of the acquisition (completed on 30 September 2017), equal to EUR 35,5 million, had already been reduced to EUR 19,3 million as at 31 December 2017, as a result of the partial allocation to the property, plant and equipment held by IMC S.p.A. (which involved the allocation of the related deferred taxes). As at 31 December 2018, the purchase price allocation (PPA) process for the business combination was completed, with the final confirmation of the allocation values that had been determined as at 31 December 2017.

**Property, plant and equipment** amounted to EUR 226,4 million (EUR 46,9 million as at 31 December 2018), of which EUR 166,2 million for IFRS 16 rights of use (EUR 152 million pertaining to the Nursing Home sector, characterised by long-term lease contracts on properties used as residences). The residual portion of this item's balance, equal to EUR 60,2 million, was heavily influenced by the contribution from the Automotive sector, amounting to EUR 21,5 million (including the partial allocation of goodwill recognised at the time of the acquisition to IMC S.p.A.'s presses), from the Nursing Home sector, which contributed EUR 11,9 million (of which EUR 6,3 million relating to the Pogliano Milanese facility that is under construction), and from the Design sector, which contributed EUR 23,3 million (of which EUR 6,3 million relative to Ceramica Cielo S.p.A., EUR 11,4 million to Galassia Group, and EUR 5,9 million to Disegno Ceramica S.r.l.).

**Investments measured using the equity method** totalled EUR 6,1 million (in line with the end of the prior year) and refers primarily to the investment held by the Parent Company Mittel S.p.A. in Mittel Generale Investimenti S.r.l. (EUR 5,4 million), which did not present any changes with respect to the comparison period.

**Non-current financial assets** amounted to EUR 55,4 million (EUR 63,7 million as at 31 December 2018) and refer: i) for EUR 39,3 million (EUR 45,8 million in the comparison period) to non-current financial receivables, almost entirely relating to credit positions held by the Parent Company; and ii) for EUR 16,1 million (EUR 17,9 million in the comparison period) to other non-current financial assets, represented mainly by shares in real estate UCITS held by the Parent Company and shares in investment vehicles held by Mittel S.p.A. and Earchimede S.p.A.

**Provisions for risks, employee severance indemnity and employee benefits** amounted to EUR 8,9 million (EUR 6,8 million as at 31 December 2018). In particular, as at 30 June 2019, this item is composed of *Provisions for personnel* for EUR 6,9 million (EUR 5,3 million in the comparison period) and of *Provisions for risks and charges* for EUR 1,9 million (EUR 1,5 million in the comparison period). The main contributors to the item *Provisions for personnel* were from Gruppo Zaffiro S.r.l. (EUR 2,3 million), the Design sector (EUR 2,9 million, of which EUR 1,6 million from Ceramica Cielo S.p.A., EUR 0.9 million from Galassia Group, and EUR 0,4 million from Disegno Ceramica S.r.l.), Mittel S.p.A. (EUR 1,0 million), and the Automotive sector (EUR 0,6 million). *Provisions for risks and charges* instead refer primarily to Mittel S.p.A. (EUR 0,4 million), Fashion District Group S.r.l. in liquidation (EUR 0,6 million), and the Nursing Home sector (EUR 0,4 million).

**Net tax assets (liabilities)** were positive for EUR 4,6 million (EUR 2,8 million as at 31 December 2018), and is composed of the sum of current tax assets of EUR 3,7 million (EUR 5,8 million as at 31 December 2018) and deferred tax assets of EUR 10,2 million (EUR 4,6 million in the comparison period), offset by deferred tax liabilities of EUR 8,0 million (EUR 7,0 million in the comparison period) and current tax liabilities for EUR 1,4 million (EUR 0,5 million in the comparison period).

**Net working capital** amounted to EUR 73,8 million (EUR 73,6 million as at 31 December 2018). The item is composed of: (i) the value of inventories for EUR 82,2 million, attributable for EUR 54,3 million to property inventories (a sharp decline compared to EUR 64,9 million in the comparison period as a result of the considerable sales in the first half), for EUR 19,8 million to the Design sector (a net increase compared to EUR 5,3 million in the comparison period mainly due to acquisitions carried out at the end of the first half), and EUR 8,1 million for the Automotive sector (EUR 7,9 million in the comparison period); (ii) sundry receivables and other current assets amounting to EUR 41,6 million (EUR 23,2 million in the comparison period), mainly comprised of the contribution from the Design sector for EUR 20,3 million (EUR 7.9 million as at 31 December 2018), the Nursing Home sector for EUR 10,9 million (EUR 5,2 million as at 31 December 2018), and the Automotive sector for EUR 6,9 million (EUR 7,0 million as at 31 December 2018); and (iii) sundry payables and other current liabilities for EUR 50,0 million (EUR 27,9 million in the comparison period), to which the main contributors were the Design sector for EUR 24,2 million (EUR 6,9 million as at 31 December 2018), the Nursing Home sector for EUR 10,1 million (EUR 7,6 million as at 31 December 2018), and the Automotive sector for EUR 9,7 million (EUR 8,1 million as at 31 December 2018).

As a result, **net invested capital** amounted to EUR 436,3 million (EUR 278,8 million as at 31 December 2018), a figure that includes the right of use recognised pursuant to IFRS 16 for a total of EUR 166,2 million, as previously explained. Invested capital is financed by equity for EUR 230,1 million (EUR 249,3 million in the comparison period) and by the net financial position for EUR 206,2 million (EUR 29,5 million as at 31 December 2018), which is also influenced by the application of IFRS 16 (financial payables for leases totalling EUR 178,6 million).

**Equity pertaining to the Group** amounted to EUR 215,1 million (EUR 221,2 million as at 31 December 2018), while that pertaining to non-controlling interests amounted to EUR 15,0 million (EUR 28,1 million as at 31 December 2018).

Given the performance of consolidated equity and profit figures described above, the negative **net financial position** amounted to EUR 206,2 million (EUR 29,5 million as at 31 December 2018). The detailed breakdown of the item is provided below. As previously discussed, the considerable deterioration is attributable to the application of IFRS 16, which led to the recognition of incremental financial payables for

EUR 178,6 million. Excluding this component, the net financial position showed a slight improvement (EUR 1,9 million), despite the acquisitions made in the Design sector at the end of the half.

**Statement relating to the net financial position**

| (Thousands of Euro) | **30.06.2019** | **31.12.2018** |
|---|---|---|
| Cash | 81 | 224 |
| Other cash and cash equivalents | 229.701 | 223.598 |
| Securities held for trading | - | - |
| **Current liquidity** | **229.782** | **223.822** |
| **Current financial receivables** | **25** | **-** |
| Bank loans and borrowings | (67.184) | (56.615) |
| Bonds | (174.303) | (174.100) |
| Other financial payables | (194.480) | (22.626) |
| *- of which IFRS 16 financial liabilities* | *(178.591)* | - |
| **Financial debt** | **(435.967)** | **(253.341)** |
| **Net financial position** | **(206.160)** | **(29.519)** |

**Information by business segment**

**Information by business segment**


The Mittel Group's activities currently break down into the following operating sectors:

- **Nursing Homes**: through its majority shareholding of Gruppo Zaffiro S.r.l., the Group operates in the Italian healthcare industry, providing long-term care services. This sector includes the real estate activities pertaining to nursing homes;
- **Design**: through its majority shareholding in Ceramica Cielo S.p.A., as well as Disegno Ceramica S.r.l. and Galassia Group S.r.l. from June 2019, the Group operates in the design, production, and marketing, at the global level, of toilets, wash basins, sanitary fixtures, and accessories for high-quality, designer bathroom furnishings;
- **Automotive**: through its majority shareholding in IMC - Industria Metallurgica Carmagnolese S.p.A., the Group is active in the automotive sector and, specifically, in the construction of moulds and cold sheet metal stamping;
- **Real Estate**: in this sector, the Group carries out real estate development transactions, largely of a residential/services nature. Mittel S.p.A. also holds units in two closed-end real estate funds;
- **Equity and Investments**: sector referring to the Parent Company and the residual set of minority shareholdings and closed-end private equity funds; starting from this report, it includes the sector previously known as Advisory.

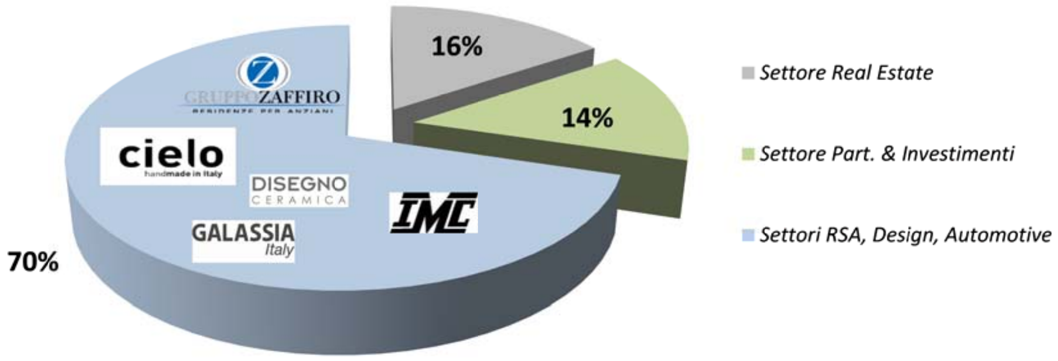
The level of aggregation of the business segments described above is consistent with the Group's current strategic configuration, as well as with the structuring of management control activities by senior management. Therefore, the related information on segment performance is the primary reporting used for Group management, as required by IFRS 8. The segmentation by geographic area of the Group's activities is not significant, since activities are concentrated within Italy.

Segment groupings are defined by the following companies (only main companies are listed):

- Nursing Homes: Gruppo Zaffiro S.r.l. and subsidiaries;
- Design: Ceramica Cielo S.p.A., Galassia Group S.r.l. (Galassia S.p.A.), Disegno Ceramica S.r.l., and Mittel Design S.r.l. (holding parent company for the sector);
- Automotive**:** IMC - Industria Metallurgica Carmagnolese S.p.A. and Balder S.r.l.;
- Real Estate: Mittel Investimenti Immobiliari S.r.l. and subsidiaries; Parco Mediterraneo S.r.l.; Augusto and Cosimo I real estate funds;
- Equity and Investments: Mittel S.p.A. and Earchimede S.p.A.

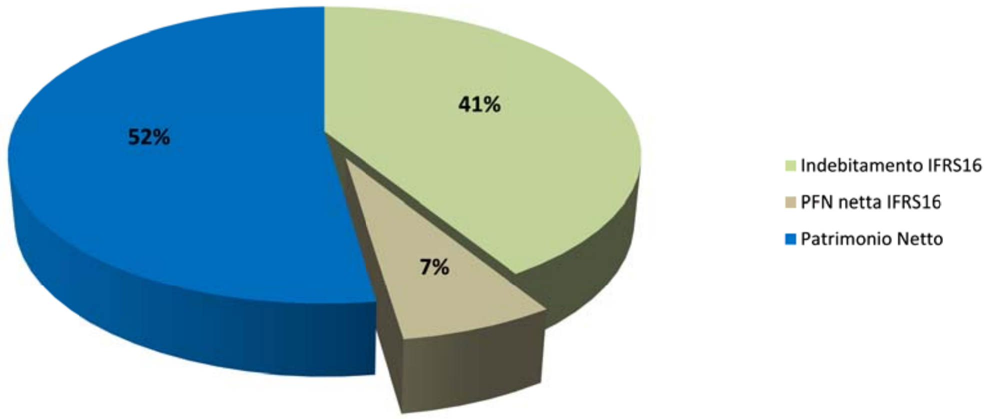
**- INVESTED CAPITAL BY BUSINESS SEGMENT -**

*EUR 436,3 million*




## - FUNDING SOURCES -

*EUR 436,3 million*



## *Income statement by business segment and contributions to Group results*

Please note that, as regards the breakdown of the income statement by segment, intragroup revenue and costs are re-allocated to the respective sectors in such a way as to measure the generation of the margin relating to each sector as if it were completely autonomous. As regards the breakdown of the statement of financial position by sector, the receivables and payables of each sector include the existing positions with the other sectors, as if each sub-group was autonomous.

### *30 June 2019 (6 months)*

| *Figures in millions of Euro* | 30/06/2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **AGGREGATO \ CONSOLIDATO** | **Revenue** | **Operating Costs** | **EBITDA** | **Amortizating/depreciation and impairments** | **Share of income (loss) of investments** | **Profit (loss) form financial management** | **Result and evaluation of financial assets and** | **Taxes** | **Income (loss) pertaining to non-controlling** | **Income (loss) pertaining to the Group** |
| *Investment & PE sector* | 0,5 | -3,6 | -3,1 | -0,1 | -0,1 | -2,4 | 0,5 | 4,1 | -0,1 | -0,9 |
| *Healthcare sector* | 20,6 | -14,9 | 5,6 | -2,8 | - | -1,5 | -0,0 | -0,2 | 0,3 | 0,8 |
| *Design sector* | 16,6 | -12,7 | 3,9 | -0,6 | - | -0,1 | -0,0 | -1,0 | 0,3 | 1,8 |
| *Automotive sector* | 19,0 | -15,5 | 3,5 | -2,7 | - | -0,9 | - | 0,0 | -0,0 | -0,1 |
| *Real Estate sector* | 1,8 | -2,2 | -0,4 | -0,0 | - | -0,0 | -1,5 | 0,6 | 0,0 | -1,3 |
| *ELIMINAZIONE IC* | -0,2 | 0,2 | - | - | - | 0,0 | - | | | |
| **CONSOLIDATED TOTAL** | **58,2** | **-48,7** | **9,5** | **-6,1** | **-0,1** | **-5,0** | **-1,1** | **3,5** | **0,5** | **0,3** |

### *30 June 2018 (6 months)*

| *Figures in millions of Euro* | 30/06/2018 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Revenue** | **Operating Costs** | **EBITDA** | **Amortizating/depreciation and impairments** | **Share of income (loss) of investments** | **Profit (loss) form financial management** | **Result and evaluation of financial assets and** | **Taxes** | **Income (loss) pertaining to non-controlling** | **Income (loss) pertaining to the Group** |
| *Investment & PE sector* | 1,9 | -4,4 | -2,5 | -0,3 | -0,6 | -0,5 | 1,8 | 2,3 | 0,3 | -0,1 |
| *Healthcare sector* | 14,1 | -12,7 | 1,4 | -0,3 | - | -0,5 | - | -0,4 | 0,0 | 0,1 |
| *Design sector* | 14,2 | -11,3 | 3,0 | -0,4 | - | -0,1 | -0,0 | -0,6 | 0,4 | 1,4 |
| *Automotive sector* | 24,9 | -18,5 | 6,4 | -2,0 | - | -0,7 | - | -1,1 | 0,7 | 2,0 |
| *Real Estate sector* | 1,2 | -1,5 | -0,3 | 0,0 | - | -1,2 | 0,1 | 1,4 | -0,2 | 0,1 |
| *ELIMINAZIONE IC* | -0,4 | 0,4 | - | - | - | -0,0 | - | | | |
| **CONSOLIDATED TOTAL** | **55,9** | **-48,0** | **7,9** | **-3,0** | **-0,6** | **-3,1** | **1,9** | **1,5** | **1,2** | **3,5** |

## *Structure of the consolidated statement of financial position by business segment*

### *30 June 2019*

| *Figures in millions of Euro* | 30/06/2019 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Net working capital** | **Fixed assets** | **Other assets (liabilities)** | **Assets (liabilities) held for sale** | **Invested Capital** | *Financed by* | **Net financial position** | **Equity** | *of which* | **Pertaining to non-controlling interests** | **Pertaining to the Group** |
| *Investment & PE sector* | 5,0 | 52,4 | 5,8 | - | 63,3 | | 79,6 | 142,8 | | 3,3 | 139,5 |
| *Healthcare sector* | -2,7 | 208,2 | -0,7 | - | 204,9 | | -195,1 | 9,8 | | 2,5 | 7,4 |
| *Design sector* | 13,1 | 40,7 | -4,4 | - | 49,4 | | -11,2 | 38,2 | | 4,7 | 33,5 |
| *Automotive sector* | 2,5 | 53,4 | -4,9 | - | 51,1 | | -33,0 | 18,1 | | 4,5 | 13,6 |
| *Real Estate sector* | 55,8 | 12,2 | -0,3 | - | 67,7 | | -46,5 | 21,1 | | 0,0 | 21,1 |
| **CONSOLIDATED TOTAL** | **73,8** | **367,0** | **-4,5** | **-** | **436,3** | | **-206,2** | **230,1** | | **15,0** | **215,1** |

### *31 December 2018*

| *Figures in millions of Euro* | 31/12/2018 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Net working capital** | **Fixed assets** | **Other assets (liabilities)** | **Assets (liabilities) held for sale** | **Invested Capital** | *Financed by* | **Net financial position** | **Equity** | *of which* | **Pertaining to non-controlling interests** | **Pertaining to the Group** |
| *Investment & PE sector* | 1,9 | 59,5 | 7,0 | 0,7 | 69,1 | | 108,8 | 177,9 | | 16,9 | 161,0 |
| *Healthcare sector* | -4,5 | 60,0 | -2,8 | 17,8 | 70,5 | | -57,8 | 12,7 | | 3,2 | 9,5 |
| *Design sector* | 5,0 | 15,6 | -1,4 | - | 19,1 | | -1,3 | 17,9 | | 3,5 | 14,4 |
| *Automotive sector* | 4,9 | 41,3 | -5,9 | - | 40,3 | | -21,9 | 18,4 | | 4,6 | 13,8 |
| *Real Estate sector* | 66,3 | 13,7 | -0,2 | - | 79,7 | | -57,3 | 22,5 | | 0,1 | 22,4 |
| **TOTALE CONSOLIDATO** | **73,6** | **190,0** | **-3,3** | **18,4** | **278,8** | | **-29,5** | **249,3** | | **28,1** | **221,2** |

*Performance of Nursing Home, Design, and Automotive sectors*

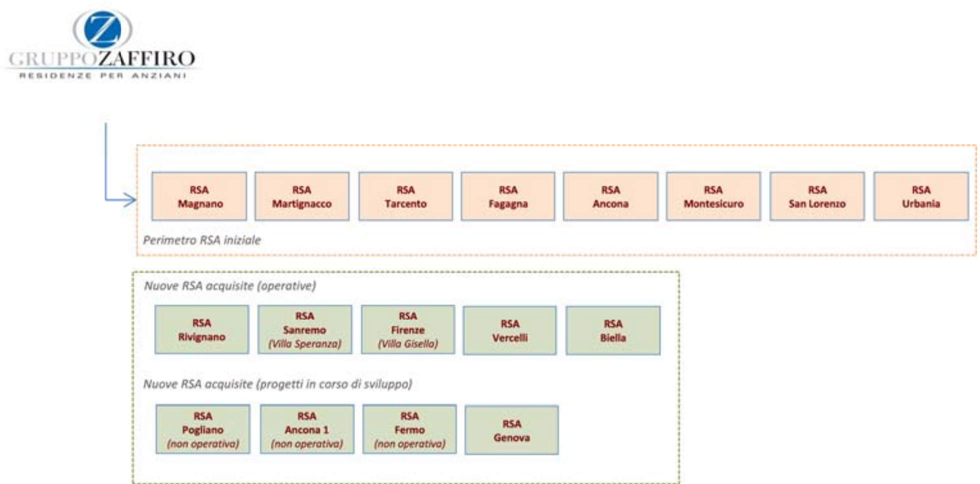
From the analysis carried out by the Italian Private Equity, Venture Capital and Private Debt Association (AIFI), the amount invested in the sector in the first half of 2019 was equal to EUR 2,5 billion, down 12% compared to Euro 2,9 billion as at 30 June 2018. If larger transactions are excluded, defined as those with an invested equity of more than EUR 150 million, the amount is instead equal to EUR 1,9 billion, up 39% compared to EUR 1,4 billion in the first half of 2018.
From the perspective of company size, the preponderance of transactions focused on companies with less than EUR 50 million in turnover, which represent 77% of the total number of transactions (75% in the first half of 2018), confirming the significant competition in this segment, in which Mittel Group operates. Finally, as regards the distribution of transactions by sector, in terms of the number of transactions, 20% of the deals were carried out in the ICT sector, 13% in the industrial goods and services sector, and 10% in the medical sector.

In this highly competitive framework, Mittel Group has given particular attention to creating value in the majority investments of the portfolio (Gruppo Zaffiro S.r.l, Nursing Home sector, 60%; Ceramica Cielo S.p.A., Design sector, 90%; Industria Metallurgica Carmagnolese S.p.A., Automotive sector, 75%), with the objective of strengthening and strategically developing these investments.
Specifically, the sectors most affected by development activities during the half-year under review were the Nursing Home sector, which saw the completion of a large transaction with an international real estate fund as counterparty, and the Design sector with the acquisition of two companies (Disegno Ceramica S.r.l. and Galassia Group S.r.l.), active in the ceramics district, to support Ceramica Cielo S.p.A.
Note that, in all the sector investments made until the present by Mittel S.p.A., a non-controlling share was maintained by the selling shareholder, who maintained the position of Chief Executive Officer, with the exception of IMC S.p.A. (for which a new Chief Executive Officer was appointed, together with the selling shareholder, who is currently still a shareholder).

*Nursing Home Sector*

On 18 November 2016, Mittel S.p.A. acquired, for a total investment of EUR 13,5 million, 75% of the share capital of Gruppo Zaffiro S.r.l. ("Zaffiro Group"), operating in the Italian healthcare industry. As at the acquisition date, Gruppo Zaffiro S.r.l. was active in two Italian regions (Friuli Venezia Giulia and Marche) with 8 structures providing around 900 beds.

Consistent with the build-up approach and the dynamics of a sector in Italy that has a structural deficit in the beds available in specialised facilities for assistance to elderly who are no longer self-sufficient, Zaffiro Group focused its efforts on both the management of the nursing homes in the portfolio - in order to achieve an optimal level of occupancy - as well as the Group's growth project, in terms of (a) management (acquiring nursing home business units that are already operational) and (b) real estate (that is, acquisition of properties on which to build a nursing home or buildings to be refurbished). The corporate structure of Zaffiro Group, updated as at 30 June 2019 and reflecting the aforementioned development process, is presented below.



In the first six months of 2019, Zaffiro Group was heavily oriented toward growth, continuing from 2018, during which it acquired the “*Villa Speranza*” nursing home in Sanremo and "*Villa Gisella*" nursing home in Florence as well as opened the Rivignano (Udine) nursing home and began work on a new nursing home with over 200 beds in Pogliano Milanese.

In particular, during the first half of 2019, a contract was signed between Gruppo Zaffiro S.r.l. and Primonial - a leading international investor with a total assets of EUR 37 billion - for the realisation in the coming years of more than EUR 120 million in acquisitions, dedicated to the development of new nursing homes located throughout Italy. The contract specifically envisages that Primonial will own the real estate component while operating management of the structures will be assigned to Zaffiro Group.

As part of the transaction, Zaffiro Group sold the real estate component of the Rivignano structure, while the real estate component of the Pogliano Milanese nursing home will also be sold by the Group following the completion of the initiative and its operational start-up, retaining operational management of the structure within the Group.

In July, in execution of commitments assumed when Mittel S.p.A. became a shareholder of Zaffiro Group, the latter (as merging company of the vehicle used for the acquisition) paid EUR 6,8 million as a “2018 earn-out” on the acquisition of the 100% stake in Zaffiro Group which took place in 2016. At the same time, the minority shareholder Blustone S.r.l., a company related to the Chief Executive Officer, Gabriele Ritossa, subscribed a share capital increase for EUR 5,4 million (maximum amount reserved for the minority shareholder). Following this transaction, Mittel S.p.A.’s shareholding in Gruppo Zaffiro S.r.l. was reduced from 75% to 60%.

Finally, in order to rationalise the Group's corporate structure, including as a result of the ongoing growth process, a corporate reorganisation occurred in July, which entailed the creation of two regional sub-holdings for managing the nursing homes in northern Italy (Zaffiro Nord S.r.l.) and southern-central Italy (Zaffiro Centro-Sud S.r.l.), both companies wholly owned by the holding company Gruppo Zaffiro S.r.l.

| **Settore RSA (6 mesi)** *Dati in Euro mln* | **Complessivo Settore** |
|---|---|
| Ricavi Netti | 20,6 |
| Costi Operativi | -14,9 |
| **EBITDA** | **5,6** |
| Effetto IFRS 16 | -3,1 |
| **EBITDA pre IFRS 16** | **2,5** |
| **EBITDA 2018** | 1,4 |

EBITDA for the period was EUR 5,6 million, EUR 2,5 million prior to the application of IFRS 16, compared to EUR 1,4 million recorded in the first half of 2018. The marked increase in EBITDA was due, not only to the continued positive performance of the Group’s traditional consolidation scope, but also to the inclusion in the scope, effective from 1 January 2019, of the Villa Gisella and Villa Speranza nursing homes as well as the operational start-up of the Rivignano nursing home.

As at 30 June 2019, the net financial position was EUR 195,1 million and was heavily affected by the first application of IFRS 16. Excluding this amount, net financial indebtedness as at 30 June 2019 amounted to EUR 30,7 million, a considerable reduction from EUR 57,8 million as at 31 December 2018, due to the real estate sold during the period (real estate components of the Rivignano and Florence nursing homes).

*Design Sector*

On 22 June 2017, Mittel S.p.A. acquired a shareholding equivalent to 80% of Ceramica Cielo S.p.A. (“Ceramica Cielo”), a company operating in the production and marketing of designer sanitary-ware and accessories for the luxury sector in Italy and abroad.

In the first half of 2019, considering the robust and continuous growth of Ceramica Cielo S.p.A., Mittel S.p.A. not only increased its shareholding in the company by another 10% (from 80% to 90%) against the payment of EUR 5,0 million, but also launched the project to create a hub of excellence for designer bathroom furnishings and other complementary sectors, in which Italy is globally acknowledged as an important and recognised leader.

In detail, in June 2019, majority stakes were acquired in Galassia Group S.r.l. and Disegno Ceramica S.r.l., two long-standing businesses in the ceramics district of Civita Castellana. Galassia S.p.A. is a company founded in 1980 in Corchiano (VT) - wholly owned by Galassia Group S.r.l. - whose brand and competitive positioning are highly complementary to Ceramica Cielo. Disegno Ceramica S.r.l. is a company founded in 1993 in Gallese (VT) with a niche position in the production of sinks and ceramic sanitary-ware for the bathroom and kitchen furniture industry and a range of products complementary to both Ceramica Cielo and Galassia. In the transaction, the Chief Executive Officers of both acquired companies maintained a minority shareholding.

The group headed by Mittel Design S.r.l., 100% controlled by Mittel S.p.A., is composed as follows:


Since the acquisitions described above took place at the end of June 2019, these companies were consolidated solely in relation to equity for the half-year period under review.

| **Settore Design (6 mesi)** *Dati in Euro mln* | **Complessivo Settore** | **Elisione veicolo Mittel Design** | **Consuntivo Ceramica Cielo S.p.A.** | **%** | **Consuntivo Ceramica Cielo S.p.A. 2018** | **%** |
|---|---|---|---|---|---|---|
| Ricavi Netti | 16,6 | | 16,6 | | 14,2 | |
| Costi Operativi | -12,7 | *-0,7* | -12,0 | | (11,3) | |
| **EBITDA** | **3,9** | ***-0,7*** | **4,6** | | **3,0** | |
| Effetto IFRS 16 | -0,1 | | -0,1 | | | |
| **EBITDA pre IFRS 16** | **3,8** | **-0,7** | **4,5** | *27%* | **3,0** | *21%* |

The economic performance of the sector, and specifically of Ceramica Cielo S.p.A., confirms the continuous growth of the company, with EBITDA generated in the period of EUR 4,5 million against EUR 3,0 million in the previous year. The increase in EBITDA is the result of both a significant and continuous growth in revenues (over 10%) as well as an increase in margins that exceeded 25% in the period, mainly reflecting the operational start-up of the new production units acquired last year.

With regard to capital, in addition to including the result generated by the investee, the sector benefits from investments made by the Group (acquisitions of Galassia Group S.r.l. and Disegno Ceramica S.r.l.), purchased entirely with equity provided by the Parent Company for EUR 11,3 million. The sector's net financial position, which did not incur significant impacts from the application of IFRS 16, is negative for EUR 8,8 million due to the consolidation of the debt related to the two new acquisitions as at 30 June 2019.

*Automotive Sector*

On 27 September 2017, Mittel S.p.A. acquired a 75% shareholding in I.M.C. - Industria Metallurgica Carmagnolese S.p.A. ("IMC"), a company operating in the automotive components sector. Prior to the period closing, IMC acquired 100% of the company Balder S.r.l., a smaller company in the same segment.

In the first half of 2019, the global automotive market recorded a 6.7% drop in production (source: IHS - July 2019), with Europe down by 6.1%, Asia by 12.4%, 2.7% in North America, and 3.2% in South America (-33% in Argentina). This situation had a significant impact on the performance of IMC during the period; the company has undertaken a series of commercial development activities, put in place to consolidate relations with the current primary customers and to diversify its prospective customer base which, it is estimated, will have an effect starting from next year.

| Settore Automotive (6 mesi) *Dati in Euro mln* | Esercizio 2019 (6 mesi) | % | Esercizio 2018 (6 mesi) | % |
|---|---|---|---|---|
| Ricavi Netti | **19,0** | | 24,9 | |
| Costi Operativi | **-15,5** | | -18,5 | |
| **EBITDA** | **3,5** | | **6,4** | |
| Effetto IFRS 16 | -0,7 | | | |
| **EBITDA pre IFRS 16** | **2,8** | *15%* | **6,4** | *26%* |

EBITDA for the period was EUR 3,5 million, EUR 2,8 million prior to the application of IFRS 16, compared to EUR 6,4 million recorded in the first half of 2018. The reduction in EBITDA primarily reflects the lower volumes as well as a different mix of contracts that IMC Group worked on during the period.

As at 30 June 2019, the net financial position was EUR 33,0 million, including EUR 12,9 million deriving from the first application of IFRS 16. Excluding this amount, net financial indebtedness as at 30 June 2019 amounted to EUR 20,1 million, of which EUR 7,9 million to shareholders.

*Performance of the Real Estate sector*

According to data released by sector operators, 2019 will be another positive year for the Italian residential real estate market: the expansionary trend in sales volumes since 2014 has been confirmed also in the second quarter of 2019, with a trend rate of +3,9%, although lower than that recorded in the previous quarter (+8,8%). The growth trend in the two most significant markets is especially solid: Rome and Milan increased sales and purchase volumes by 2.7% and 6.1%, respectively (Source: *OMI - Real Estate Observatory - Quarterly Report*).

In relation to the Real Estate sector, intended as the business of developing initiatives in the residential and services sectors with subsequent retail sale on the market, the Group is now arranging disposal of the outstanding portfolio or the completion of initiatives already in the portfolio. Specifically, note that in Milan, in Via Metauro/Via Vespri Siciliani, a residential initiative is being completed through the vehicle company MiVa S.r.l., 100% owned by the Group, which is expected to be concluded in the first half of 2020 and for which sales activities have already begun, with excellent reception by the market.

| *Dati in Euro/000* | *(6 mesi)* | *(6 mesi)* |
|---|---|---|
| **Settore Real Estate** | **30-giu-19** | **30-giu-18** |
| Vendite e altri ricavi | 12.366 | 5.784 |
| Variazione Rimanenze | (10.582) | (4.590) |
| Costi Operativi | (2.190) | (1.534) |
| **Margine Operativo Lordo** | **(406)** | **(341)** |
| | | |
| **Rimanenze Immobiliari** | **54.322** | **73.731** |

In this context, the positive trend of the Group's real estate portfolio sales, with the revenues of EUR 12,4 million earned during the 6-month period (a significant increase from the same period in 2018, equal to +114%), principally referring to sales for the residential projects located in: (i) Milan, Piazzale Santorre di Santarosa for EUR 8,0 million; (ii) Arluno (Milan) for EUR 2,6 million; and (iii) Paderno Dugnano (Milan) EUR 1,6 million.

The capital invested by the Group in the real estate sector, reflecting the trends described above, amounted to EUR 67,7 million at 30 June 2019, a continuous reduction compared to EUR 79,7 million as at 31 December 2018. The value of real estate funds (Augusto and Cosimo I Fund) is equal to EUR 12,1 million, corresponding to the Net Asset Value as at 30 June 2019, as communicated by the manager Castello SGR. This value, down EUR 1,5 million compared to 31 December 2018, reflects the conclusion of the sales process for the hotel portfolio held by the two funds, the maturity for both of which is 31 December 2020.

*Performance of the Equity and Investments Sector*

*Dati in Euro/000*

| Settore Part. e Investimenti | 30-giu-19 | 31-dic-18 |
|---|---|---|
| Immobilizzazioni | 52.438 | 59.498 |
| Patrimonio Netto | 138.451 | 174.833 |

The Equity and Investments sector includes the parent company Mittel S.p.A. as well as the residual portfolio of non-controlling interests and private equity investment vehicles, which are in the process of being disposed, in a manner compatible with the features of each asset, in order to generate financial resources to be used in acquiring controlling investments.

In the first six months of the year, the process of recovering financial resources continued with the reduction of financial receivables (included among fixed assets) from EUR 45,8 million to EUR 39,8 million following the related recovery of resources which in the period mainly involved the associate Mittel Generale Investimenti S.r.l.: The credit position with the associate, equal to EUR 10,0 million as at 30 June 2019, further decreased at the date of this report by an additional EUR 5,1 million.
The sector's net equity was affected by the investment in the Design sector as well as the distribution by Ghea S.r.l. in liquidation, 51% equity investment, of the remaining financial resources to shareholders.

**Significant events in the first half of the year**

## Significant events in the first half of the year

*Implementation of measures defined in the Strategic Plan*

On 28 June 2019, Gruppo Zaffiro S.r.l. and Primonial Group ("Primonial"), a leading international investor with a total assets of EUR 37 billion, signed an agreement (the "Contract") for the acquisition of 6 real estate structures related to nursing homes already in operation (2 of which are owned by Sarafin S.r.l., a company related to the Chief Executive Officer of Zaffiro Group - Gabriele Ritossa) and for the realisation in the coming years of more than EUR 120 million in acquisitions, dedicated to the development of 7 nursing homes located throughout Italy and already under contract by Zaffiro Group.
The Contract envisages that Primonial will own the real estate component while operating management of the structures will be assigned to Zaffiro Group.
Simultaneous with the signing of the Contract, the first nursing home was sold by Zaffiro Group to Primonial, for which more than EUR 15 million was received. By the end of the year or the beginning of 2020, a further 5 development transactions included in the Contract are expected to be completed.
The transaction represents for Zaffiro Group a further recognition by the market of the reliability and gravity of the development project, with management that has always been based on high quality standards and capable of attracting the attention of leading international operators.
The project responds to the demands of a sector with a considerable need for investments and that, in Italy, has a growing structural deficit in the supply of beds in specialised care facilities for elderly people who are not self-sufficient.
The Contract with Primonial makes it possible to accelerate the Group's growth plans, which aims to reach management of over 5,000 beds in the coming years, continuing the growth strategy based on careful search and selection of the highest quality facilities which, only in the last year, led to the acquisition of the long-running nursing homes "Villa Speranza" in Sanremo and "Villa Gisella" in Florence.

In June 2019, two investments were made in the Design sector, specifically Mittel S.p.A., through the wholly owned holding company Mittel Design S.r.l., acquired a significant majority stake in Galassia Group S.r.l. and 80% of Design Ceramica S.r.l., two long-standing businesses in the ceramics district of Civita Castellana.
The transaction strengthens the ambitious project to build a hub of excellence in the design sector, characterised by clear recognition in various segments and products, around Ceramica Cielo S.p.A. - a company acquired in June 2017 that under the leadership of Alessio Coramusi, shareholder and CEO, is posting high growth rates and increasingly important recognition of its international brand. Today, the CIELO brand is one of the leading brands for the entire sector of bathroom furnishings.
The transaction enabled the establishment of a group with more than 350 employees, a total turnover of over EUR 65 million, and a considerable percentage of exports.

*Governance and corporate events*

On 24 January 2019, members of the Executive Committee of Mittel S.p.A. Marco Giovanni Colacicco (through a company controlled by him), Michele Iori, as well as a company in which the Executive Committee member Anna Francesca Cremascoli holds a non-controlling stake, notified the Company that they had purchased from Progetto Co-Val S.p.A., as part of a larger transaction designed to re-establish the Company's free float following the take-over bid promoted by the latter and concluded in November 2018, shares representing 2.15% of the share capital of the Company for a total investment of EUR 3,3 million (price of EUR 1,75 per share).

On 28 January 2019, the Shareholders of Mittel S.p.A., who gathered for the ordinary Shareholders' Meeting, resolved the following:

- to set the number of members of the Board of Directors as seven;
- to call upon the following to form the Board of Directors, which shall remain in office for three financial years, i.e. until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021: Michele Iori (Chairman), Marco Giovanni Colacicco, Anna Francesca Cremascoli, Riccardo Perotta, Anna Saraceno, Patrizia Galvagni and Gregorio Napoleone, indicated in the sole list submitted by the shareholder Progetto Co-Val S.p.A.;
- to set the gross salary of the Board of Directors at EUR 140.000, in relation to the offices assigned, for each of the three years of the mandate, delegating the allocation of this amount to the Board of Directors and granting it the ability to assign additional compensation to Directors assigned with particular offices pursuant to the law;
- to exonerate directors from the prohibition detailed in article 2390 of the Italian Civil Code;
- to confirm the appointments - assumed by the Board of Directors on 30 November pursuant to article 2401 of the Italian Civil Code - of Giulio Tedeschi as Standing Auditor and Maria Teresa Bernelli as

Chairwoman of the Board of Statutory Auditors, and to appoint Alessandro Valer and Stefania Trezzini as Alternate Auditors, proposed by the shareholder Progetto Co-Val S.p.A., to supplement the current Board of Statutory Auditors - who will remain in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2018 - and in compliance with regulations governing gender equity.

Among other items, the Shareholders' Meeting resolved, unanimously for all attendees, in line with the commitments assumed by the Company on last 30 November as part of the mutual and early resolution of the employment relationship with Rosario Bifulco, to irrevocably waive derivative liability litigation, pursuant to article 2393 of the Italian Civil Code, brought against him, in relation to any fact and/or behaviour of the latter in carrying out the roles of Chairman of the Board of Directors, Chief Executive Officer, and Director held by Mr. Bifulco in the Company and/or of the aforementioned employment agreement, in any case excepting cases of fraud.

The Board of Directors of Mittel S.p.A., which met after the Shareholders' Meeting, confirmed the Company's new governance model, which entails, in continuation, the appointment of Marco Giovanni Colacicco as Deputy Chairman and the establishment, for operational management, of an Executive Committee consisting of Marco Giovanni Colacicco (Chairman), Michele Iori and Anna Francesca Cremascoli.
The Board of Directors also appointed the members of the Board's internal committees, specifically:

- Control and Risks Committee: Chairman Riccardo Perotta, member Patrizia Galvagni;
- Remuneration and Appointments Committee: Chairman Riccardo Perotta, member Gregorio Napoleone;
- Related Party Committee: Chairman Patrizia Galvagni, member Riccardo Perotta and Gregorio Napoleone;
- Director in charge of the risk management and internal control system: Anna Francesca Cremascoli.

On 29 April 2019, the Shareholders of Mittel S.p.A., who gathered for the ordinary Shareholders' Meeting, resolved the following:

- to approve the Directors' Report on Operations and the Financial Statements for the year ended 31 December 2018, as well as the proposal to allocate the profit for the year of EUR 43.323.501 to the legal reserve for EUR 820.941, carrying forward the residual amount of EUR 42.502.560;
- to approve, in the extraordinary session, (i) the cancellation of all 6.559.649 treasury shares held by Mittel S.p.A. through the simultaneous elimination of the expressed nominal value of the ordinary shares, thus without reducing the amount of share capital equal to EUR 87.907.017 which will be divided amongst 81.347.368 shares without indication of nominal value; (ii) further minor amendments to the Articles of Association;
- to appoint as members of the Board of Statutory Auditors Fabrizio Colombo (Chairman), Giulio Tedeschi and Federica Sangalli, (Standing Auditors) as well as Alessandro Valer and Stefania Trezzini (Alternate Auditors), who will remain in office until the approval of the financial statements for the year ending 31 December 2021. These names were taken from the single list of candidates submitted by the shareholder Progetto Co-Val SpA;
- to award the Board of Statutory Auditors an annual compensation of EUR 60 thousand for the Chairman and EUR 40 thousand for each standing member.

The Shareholders' Meeting also resolved in favour of the first section of the Report on Remuneration, prepared in accordance with art. 123-ter, of Italian Legislative Decree no. 58 of 24 February 1998.

**Significant events after 30 June 2019**

On 12 July 2019, Mittel S.p.A. repaid in full the “Mittel 2013-2019” Bond (ISIN IT0004936289) at maturity for a disbursement of a total of EUR 41,7 million, made entirely with the Company's available cash.

On 23 July 2019, Gruppo Zaffiro S.r.l. completed the process of simplifying the corporate structure through a transaction involving the creation of two sub-holding companies, Zaffiro Nord S.r.l. (formerly Zaffiro Rivignano S.r.l.) and Zaffiro Centro Sud S.r.l. (formerly Zaffiro Urbania S.r.l.), wholly controlled by Gruppo Zaffiro S.r.l., to which the nursing homes in the relative geographical areas will report.

On 24 July 2019, the share capital increase of Gruppo Zaffiro S.r.l. was subscribed and fully paid-in, reserved for the minority shareholder Blustone S.r.l. (the latter company related to the Chief Executive Officer of the former) pursuant to the agreements signed in November 2016 when Mittel S.p.A. became a shareholder. Following the full implementation of the share capital increase totalling EUR 5,4 million, Mittel S.p.A. holds 60% of the capital of Gruppo Zaffiro S.r.l.

## Business outlook for the year

In the first half of the year, the Company focused its efforts on creating value in the interests of all its Shareholders.
Specifically, the key actions carried out involved the process of consolidation and growth of the Group’s existing sectors, that is: nursing homes, designer ceramic sanitary-ware, and automotive components, areas of activity that constitute the true platforms on which the Group can introduce both internal and external growth.
The acquisitions in the Design sector, completed in June 2019, were especially significant in terms of strategy, as was the development agreement signed by Gruppo Zaffiro S.r.l. with the leading international company Primonial. These investments include forecasts for considerable profit in the medium to long term.

In the coming months, in addition to continue the aforementioned consolidation process, Mittel S.p.A. will intensify its efforts to find new investment platforms, by acquiring companies that express Italian business excellence, to be combined with the Group’s financial and strategic contribution. In addition to using the Group’s significant cash reserves, acquisition transactions will continue to be financed primarily by additional financial resources that are being generated from the intensification of the disposal process for non-strategic assets, at present mainly related to the real estate sector and financial receivables.

Despite the continued weakness of the macroeconomic scenario, especially in the Automotive sector, the Group's results in upcoming months will benefit from the growth process introduced in the Nursing Home and Design sectors, which will also include the effects of the consolidation of the positive financial margins of the companies acquired in June (Disegno Ceramica S.r.l. and Galassia S.p.A.). The reduction in holding costs, and specifically the full repayment of the Mittel “2013-2019” bond in July, will also have a considerable impact, resulting in lower financial expenses of EUR 2,5 million on an annual basis.

## Main ongoing legal proceedings and disputes

_Snia S.p.A. in Amministrazione Straordinaria (under extraordinary administration) disputes_

*Snia S.p.A. in Amministrazione Straordinaria (under extraordinary administration)*

On 5 November 2013, the parties' first hearing was held in relation to the writ of summons served on 20 January 2012, from Snia S.p.A. in Amministrazione Straordinaria (hereinafter, "Snia"), by which that company summoned Mittel S.p.A. ("Mittel") (then Hopa S.p.A.), GE Capital S.p.A., Banca Monte Paschi di Siena S.p.A, Unipol Gruppo Finanziario S.p.A.- Unipol S.p.A, Bios S.p.A. and various natural persons (former Directors and Statutory Auditors of Snia and Bios S.p.A.) before the Court of Milan to ascertain their alleged joint liability pursuant to articles 2394 bis, 2476, paragraph 7, 2497, 1175, 1375, 2043 of the Italian Civil Code, as well as art. 90 of Legislative Decree no. 270 of 1999 and to have them sentenced to compensate the damages allegedly suffered by Snia, provisionally quantified at approximately EUR 4 billion.
As grounds for the claims, the Proceedings of the plaintiff company made allegations of significant illegal conduct attributable to its parent companies, directly and indirectly, as well as to former Directors and Statutory Auditors of Snia and Bios S.p.A. These specifically include the alleged illegality of the Snia Shareholders' Meeting resolution adopted on 26 June 2003 with the decisive vote of Bios S.p.A., which allegedly approved a split-off damaging to Snia and the company's creditors with abuse of management and coordination. According to the plaintiff's line of reasoning, that transaction was specifically carried out to gain interest outside of the company, exclusively attributable to the direct shareholder Bios S.p.A. and the indirect shareholders Mittel S.p.A., GE Capital S.p.A., Banca Monte Paschi di Siena S.p.A. and Unipol Gruppo Finanziario S.p.A.- Unipol S.p.A. It is also alleged that the contested split-off was carried out by drawing up and subsequently approving untruthful financial statements, including, specifically, those for 2002, which, as no significant liabilities were recorded for Snia, suitable for writing down some of their investments as a result of environmental charges and reclamation costs, allegedly represented a financial situation of the plaintiff company much different from the actual situation. In any event, Snia attributes liability to Bios S.p.A. as the direct, controlling shareholder, due to management and coordination and unified management, pursuant to art. 2497 of the Italian Civil Code and art. 90 of Legislative Decree no. 270 of 1999, respectively.
Snia asked for compensation from the defendants (i) of EUR 388 million relating to the above-mentioned split-off, (ii) of around EUR 3,5 billion in relation to alleged environmental damages deriving from the management of chemical sites belonging to Snia and to its subsidiaries, and (iii) of around EUR 200 million in relation to the consequences of Snia continuing in its business despite the fact that, according to the plaintiff's arguments, it had already lost its share capital. The case was heard before the Business Section of the Court of Milan (case ref. no. 5463/2012, Judge Perozziello).
The Ministry of the Environment and Protection of Land and Sea ("Environment Ministry") and the Ministry of the Economy and Finance ("Finance Ministry") intervened before the court, having filed a single notice of voluntary joinder pursuant to articles 105 and 267 of the Code of Civil Procedure supporting the claims formulated by Snia and, specifically, those regarding the considerable environmental damages for which the plaintiff demanded compensation.
With regard to the preliminary activities, please refer to the extensive explanation provided in the Company's financial statements in recent years, emphasising that the judgement was re-opened for decision following the exchange of memorandums, based on the deeds.
On 10 October 2016, the Court of Milan filed the decision rejecting all claims filed by Snia and the Environment Ministry against Mittel, ordering Snia and the Environment Ministry to pay EUR 0.3 million in legal expenses to the Company. Specifically, in decision no. 1795/2016, the Court deemed the Environment Ministry's intervention in the proceedings to be inadmissible, and rejected or declared lack of capacity to sue of Snia for all claims filed against Mittel.
Through separate appeals, Snia and the Environment Ministry challenged the decision in question, by which they obtained suspension of the costly order to pay legal expenses on the grounds that any different decision in the appeal proceedings would result in difficulty in the large amounts being repeated by 67 parties.
Pending the judgement on the Appeal, Mittel and Snia reached a settlement agreement, according to which: (i) Snia abandoned the appeal proceedings and all claims against Mittel in relation to the events pertaining in the proceedings and consequently all claims brought against Mittel in first and second level proceedings, with Mittel accepting this abandonment of legal action; (ii) Mittel paid a contribution to Snia in regard to Snia's abandonment of the appeal; (iii) the parties declared that neither has further claim against the other as a result of the aforementioned settlement agreement and in relation to the proceedings mentioned. Thus, Mittel's case is going forward solely in relation to the Ministries.

Since, in the meantime, many of the original defendants and third party defendants settled the dispute in full or in part, with an order published on 20 March 2019, the Court decided to split the appeal into three separate cases, dividing the state of the proceedings of the various parties into the following three groups:

A) Those that have settled with both principal plaintiffs, and therefore mutually waived cross-complaints, for which a settlement judgement was issued at the same time for the relative legal proceedings (Judgement no. 1263/19 published on 22 March 2019 as the outcome of the case nos. 1068+1145/16);
B) Those, such as Mittel, that have settled only with SNIA and not with the Ministries, for which the case (with a new case no. 1028/19) was postponed to clarify the findings of the hearing held on 17 April 2019;
C) All other parties (which have not yet settled with either SNIA or the Ministries): postponement of the case until the hearing of 6 November 2019 (new case no. 1030/19).

At the hearing on 17 April, taking into account the fact that many other defence claims had - in the meantime - settled their positions with the Ministries, the Court - partially amending the previous order - ordered the separation of the procedural position of Mittel (and other original defendants who have not settled with the Ministries) and its consequent transfer within the case number 1030/19 (known as Group C), in order to be able to declare the settlement judgement of case number 1028/19.

In relation to proceedings brought by the Environment Ministry and the Finance Ministry against the Extraordinary Administration for exclusion from the list of Snia creditors (case no. 70240/14, pending before the Second Chambers of the Court of Milan), in which on 11 May 2015 Mittel S.p.A. intervened, filing a statement of intervention pursuant to art. 105 of the Italian Code of Civil Procedure requesting confirmation of exclusion of the opposing Ministries, and in which Sorin S.p.A. (now Livanova Plc) also intervened by filing its own statement of intervention - the latter was concluded following the declaration of exclusion by the Company (together with other intervening parties) from the proceedings, due to “lack of standing” of the intervening party.

Having settled with the Proceedings, and not having any other credit obligations with Snia, nor any pending disputes with said company, Mittel decided not to challenge the exclusion measure. Therefore, the judgement is defined, with regard to the Company.

*Administrative judgement against the compliance notice from the Environment Ministry*

On 28 July 2015, the Environment Ministry delivered to Mittel S.p.A., as well as Sorin S.p.A., Bios S.p.A., Interbanca S.p.A. (then GE Capital S.p.A.), Monte dei Paschi di Siena S.p.A. and Unipol Gruppo Finanziario S.p.A. a compliance notice (“Compliance Notice”), ordering said companies to take all appropriate initiatives to control, eliminate, contain, or manage, in accordance with the Snia programme of reclamation works, any damaging elements at the sites in Torviscosa, Brescia, and Colleferro (Caffaro Group production sites).

Mittel challenged the compliance notice before the Regional Administrative Court of Lazio - Rome, noting a series of null and/or invalid profiles. As part of the aforementioned appeal, Mittel highlighted that the contamination, claimed by the Environment Ministry, of Caffaro Group’s production sites is attributable to the chemical produced by the companies of said Group, prior to the period in which Mittel, through an indirect and minority investment, acquired an interest in the share capital of companies of the Caffaro Group (1999) or to production unrelated to the Caffaro Group.

On 21 March 2016, the Regional Administrative Court upheld Mittel’s appeal, with decision no. 3449/2016, thereby nullifying the effects of the Compliance Notice. This decision was challenged by the Environment Ministry before the Council of State case no. 4949/2016), as well as the other decisions of the Regional Administrative Court of Lazio with which the aforementioned Compliance Notice had been nullified. In this proceeding, Mittel became a formal party by filing an incidental appeal and simultaneously, refiling the legal justification that had been accepted in first instance proceedings.

At the public hearing on 14 June 2018, the merits of the trial were discussed. With decision no. 5024/2018, the Council of State rejected the appeal brought by the Ministry against the judgement in favour of Mittel (decision no. 3449/2016 Regional Administrative Court of Lazio), upholding, in substance, the justifications and the exceptions raised by Mittel. For the same reasons, the additional appeals filed by the Ministry against the other companies to which the Compliance Notice had been served were rejected, thus no longer having any effect.

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Therefore, in conclusion, the current situation with regard to Snia disputes is as follows:

- the previous administrative dispute was definitively closed favourably;

- civil proceedings are currently pending on appeal solely regarding the Ministries (by contrast, position already settled vis-à-vis Snia) regarding the exclusion decision for the Public Administrations from the case for damages and the relative payment of expenses, a hearing that will be called on 6 November 2019 for settlement of the case.

*So.Fi.Mar International S.A. and Alfio Marchini.*

With regard to the known credit for EUR 12,8 million held by Mittel S.p.A. in relation to So.Fi.Mar International S.A. and Alfio Marchini by virtue of the purchase by So.Fi.Mar of bare ownership of the 222.315 shares of Finaster S.p.A. (today Finaster S.p.A. in liquidation), which took place in the year ended 30 September 2005, Mittel S.p.A. obtained the arbitration award on 15 March 2016, with which the Board of Arbitrators ordered So.Fi.Mar International S.A. to pay Mittel S.p.A. the entire amount due to the latter for a total amount of EUR 12.782.298 as principal, plus interest up to 31 July 2013 of approximately EUR 316 thousand and default interest from 31 July 2013 up to the actual date of payment. The Court of Arbitration also ordered So.Fi.Mar International S.A. to pay Mittel S.p.A. around EUR 128 thousand in its legal fees and approximately EUR 149 thousand as Milan Chamber of Arbitration costs and arbitrator fees incurred by Mittel S.p.A. However, the Court of Arbitration declared that Alfio Marchini, the controlling party of So.Fi.Mar International S.A. at the time of the events, did not have standing to be sued.
On 26 May 2016, following filing of the award by Mittel, the Court of Milan issued the enforcement order for the arbitration award.
In order to lay claim to the So.Fi.Mar International S.A. assets in Luxembourg, on 15 July 2016 Mittel S.p.A. obtained an exequatur order from the Luxembourg court. In accordance with this order, Mittel S.p.A. filed writs of attachment against So.Fi.Mar International SA with 13 of the largest Luxembourg and Italian banks in Luxembourg, attachments that were suspended by the Luxembourg judge on the grounds that in November 2016 So.Fi.Mar International SA and Mr. Marchini appealed the exequatur order that was part of the arbitration award. After the confirmation of the exequatur order from the arbitration award, the enforcement proceedings were resumed.
In addition, Mittel S.p.A. launched enforcement proceedings with third parties in Italy before the Courts of Rome and Milan.
The procedure before the Court of Rome was launched against So.Fi.Mar International S.A. by nine Italian companies and was declared settled in November 2017, in consideration of the negative statements of the third party garnishees.
With regard to the enforcement action before the Court of Milan, the third party garnishee, Finaster S.r.l. in liquidation, submitted a negative statement. Mittel S.p.A. challenged the veracity of this declaration and the Judge, with an order dated 8 February 2019, pronounced that the third-party obligation was present. Finaster S.r.l. opposed this measure. With the measure dated 13 April 2019, this objection was rejected and the assignment to Mittel of the garnishee credit of EUR 40.320 was confirmed. In May 2019, Finaster paid Mittel a total of EUR 42.712, including the legal fees awarded by the Judge.
Mittel has also initiated an enforcement action in Switzerland against So.Fi.Mar International S.A. at the banks UBS AG and UBS Switzerland AG, which was not successful.
In September 2017, Mittel filed bankruptcy against So.Fi.Mar International S.A. before the Court of Rome (case no. 2562/2017). With decree dated 26 September 2018, the Court of Rome declared that it did not have jurisdiction. Mittel decided not to challenge this measure and to submit the bankruptcy petition in Luxembourg. On 2 August 2019, the Judge in Luxembourg declared the bankruptcy of So.Fi.Mar. Mittel has filed its petition to be included in the liabilities for the bankruptcy for the total amount of its credit. In the meantime, an appeal was filed against the bankruptcy declaration.
In March 2017, a writ of summons was served to Alfio Marchini in the interest of Mittel S.p.A. to ascertain his non-contractual liability and his sentence for damages (quantified at EUR 13.098.895,72, in addition to default interest since 31 July 2013, plus interest and monetary revaluation) incurred by Mittel S.p.A. as a result of the non-payment by So.Fi.Mar of the amount due to Mittel, awarded in arbitration. Mr. Marchini appeared in court, challenging Mittel's claims and requesting that Mittel S.p.A. be sentenced pursuant to art. 96 of the Italian Code of Civil Procedures. As a result of the preliminary proceedings, the Judge determined that the case was ready for final judgement and set the hearing date on 1 October 2019 for the presentation of closing remarks.

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Therefore, the following proceedings are currently pending to recover the receivable due to Mittel S.p.A. by So.Fi.Mar International S.A.:

- inclusion in the liabilities of the bankruptcy of So.Fi.Mar in Luxembourg;
- ordinary judgement against Alfio Marchini before the Court of Milan.

*Banca IFIS S.p.A. (formerly Interbanca S.p.A. and GE Capital S.p.A.) and Tellus S.r.l.*

The second instance (case no. 1044/2017) between Mittel S.p.A., as the defendant, and Banca IFIS S.p.A (formerly Interbanca S.p.A. and GE Capital S.p.A.) and Tellus S.r.l., as appellants, is pending before the Court of Appeals of Brescia, following the challenge by the appellant companies, of decision no. 3271/16 of the Court of Brescia on 8 November 2016.
The dispute is in the decision-making phase, as the parties ended the exchange of final written briefs on 26 July 2019, following the hearing on 8 May 2019 to present their closing remarks. The judgement is pending.
With regard to the question being disputed, note that, at the end of 2011, the current appellant companies had challenged the resolution passed by the Extraordinary Shareholders' Meeting of Hopa S.p.A. on 13 October 2011, approving the merger of Tethys S.p.A. and Hopa S.p.A. into Mittel S.p.A. Thus, after signing and filling the merger deed, Interbanca S.p.A. and Tellus S.r.l. converted the original petitions to declare the resolution invalid into claims for damages, requesting (i) first and foremost, compensation for damages they estimated at EUR 10,2 million, plus legal interest and monetary revaluation, due to the alleged lack, for Hopa S.p.A., of "economic grounds" for the merger; (ii) alternatively, compensation for damages totalling EUR 9,7 million, plus legal interest and monetary revaluation, due to the alleged "inconsistency of the share exchange ratio" adopted at the time of the merger.
The Court of Brescia, after concluding a complex appraisal process that lasted three years, pronounced decision no. 3721/2016, rejecting the claims for compensation for damages brought by Interbanca S.p.A. and Tellus S.r.l due to their lack of standing regarding the request to nullify the merger resolution and, consequently, ordering the plaintiffs to pay legal fees for the defendant as well as the court-appointed expert costs. The dispute therefore concluded in the first instance proceedings fully in favour of Mittel.
In the appeal filed, Banca IFIS S.p.A. and Tellus S.r.l. - proposing again the same grounds of fact and law already presented at first instance - asked the Court of Appeals for the complete reformulation of the first instance ruling, reaffirming their alleged standing to challenge the merger resolution and the consequent admissibility of claims for damages.

## Main risks and uncertainties to which Mittel S.p.A. and the investees are exposed

The main risks and uncertainties that can have a significant impact on the activities of the Mittel Group are outlined below. Additional risks and uncertain events, that are unforeseeable at present or that are deemed unlikely at the moment, could likewise impact the Mittel Group's activities, economic and financial conditions and prospects.

*Risks associated with the current economic scenario and performance in the Group's operating sectors*

The Mittel Group's results are affected by global economic trends, systemic risk, business sector risk, and industrial risk.
At the macroeconomic level, the general situation is still characterised by high volatility in financial markets and continued instability of the global geo-political situation.
Persistent excess liquidity can jeopardise the Group's investment strategy, by excessively raising the purchase prices of target industrial holdings. Meanwhile, a geo-political context that continues to be characterised by considerable turbulence can weaken both the organic growth process as well as growth through acquisitions in the existing investments portfolio.
Should a new negative economic cycle begin, the resulting slowdown in industrial development could lead to a general deterioration in the Group's assets and/or, in the absence of adequate financial support, the need to dispose of those assets at less than optimal values. With specific reference to investments in corporate holdings - by their nature characterised by a high level of risk, especially in the current period of financial market volatility - the process of disinvestment could require longer than expected times and/or be carried out using methods that are not entirely satisfactory or under conditions that do not generate a return for the Group.

As regards the Nursing Home sector, in which Mittel Group has invested, there is a more limited cyclical impact and consequently less theoretical exposure to the risk of negative developments due to a persistently weak situation in the global economy and the Group's geographic area of reference. The demand for social and healthcare services and related public and private expenditure, in fact, show historical growth trends and potential growth prospects even in a possible generalised economic crisis phase. However, it cannot be excluded that a continuation of the current weak macroeconomic scenario will have a negative impact on public and private spending and, consequently, on demand for the services offered by the Group in this sector.
Similar considerations regarding the cyclical nature of reference markets and the resulting exposure to the economic situation and performance of the Group's sectors of operation, are valid for the recent investments in the areas of designer ceramics. Lastly, the Automotive sector entails the purchase of durable goods, highly correlated with trends in purchasing power and, consequently, with the trend of the economic situation.
In the Real Estate sector, the risks arising from the market crisis concern the increase in interest rates, contraction in credit, reduction in demand, falling prices, and the lengthening of sale and lease times, with the risk of incurring extraordinary costs for maintaining unsold properties. The property market, both domestically and internationally, has a cyclical trend and is linked - amongst other things - to the general state of the economy, to changes in interest rates, inflation trends, tax regimes, available liquidity on the market and the presence of alternative and more remunerative investments.

*Risks associated with implementation of the strategy of the Group and its repositioning*

In March 2016, the Mittel S.p.A. Board of Directors approved the 2016-2019 Strategic Plan, the guidelines for which mainly aim to (i) implement a streamlining process of the Mittel Group corporate structure; (ii) dispose of non-strategic assets (listed securities, real estate business and lending); (iii) develop investment activities with a view to permanent capital; and (v) make investments in asset management. Based on this strategy, Mittel S.p.A. aims to pursue a type of business that focuses on controlling investments in Italian small and medium enterprises characterised by high cash generation.

In this regard, recall that on 30 November 2018, a settlement agreement through which the Company and Rosario Bifulco mutually agreed to terminate the employment relationship between the two parties in advance, with the resulting resignation of Rosario Bifulco, having immediate effect, from the role of Chairman, Chief Executive Officer, and Director of the Company, as well as all roles held in Group companies.
The resignation of Rosario Bifulco marked the conclusion of an initial phase of the Company's reorganisation, which involved redefining the strategic vision of Mittel S.p.A. as a holding company of industrial investments. The newly established Executive Committee, an expression of the new corporate

structure following the take-over bid promoted in the second half of 2018 by Progetto Co-Val S.p.A., and the Board of Directors confirmed the intention to pursue activities in continuity with that which was envisioned in the Strategic Plan.

Among the potential risk profiles of the above strategy, note that this depends on events and circumstances, including in the future, that are difficult to predict, e.g. global economic conditions, the impact of competition, or developments of an economic and geo-political nature. Therefore, Mittel S.p.A. cannot with any degree of certainty confirm that the strategic goals will be actually and completely achieved within the expected timeframe.

Any failure to dispose of significant parts of the real estate assets could make it more difficult to access to new funding for future investments. Furthermore, the failure to carry out the planned investments could have negative effects on the economic-financial sustainability of the Group's debt.
If said actions to transform the Group’s operating model are not fully completed, thereby hindering the Group’s competitive repositioning, it could have negative impacts on the economic, equity and/or financial positions of the Group.
Lastly, considering the Company’s investment holdings, its economic performance is linked, inter alia, to circumstances that are not periodic and/or recurring in nature, such as the distribution of dividends by investees and the formation and realisation of capital gains on disposals of investments held. Thus, it cannot be excluded that the trend in results for Mittel S.p.A. in different years may not be linear and/or meaningfully comparable. Note also that the investees of Mittel S.p.A. could decide not to distribute dividends even if profit for the year is recorded.

*Risks connected with the fixed-rate bonds “Mittel S.p.A. 2017-2023”*

Following the repayment of the “Mittel 2013-2019” fixed-rate bond in July 2019, the “Mittel 2017-2023” bond is the only one currently outstanding.
Pursuant to the relevant regulations, Mittel S.p.A. is required to respect the following for the entire duration of the bond loan: (i) limits to dividend distribution and profit reserves, (ii) compliance with a financial covenant calculated as the ratio of net financial debt to equity in the separate financial statements, and (iii) a negative pledge on future bond issues by Mittel S.p.A. or by significant subsidiaries, within the limits and save for the exceptions set out in the regulations. In the event of breach that is not remedied, of said obligations set out in loan regulations, Mittel S.p.A. could be held to the mandatory early redemption of the Loans, which in turn, could result in the obligation of early repayment, or application of the acceleration clause, termination of or withdrawal from the other loans contracted. As at 31 December 2018 and 30 June 2019, the bond covenant had been satisfied.
The Mittel 2017-2023 Bond Regulations envisage that Mittel S.p.A. cannot distribute dividends or income-related reserves exceeding 5% of equity resulting from the financial statements of Mittel S.p.A. approved during each year throughout the duration of the loan (the 2017-2023 Cap).

*Risks associated with Group indebtedness*

Contractual clauses, commitments and covenants are applied to a number of the Group’s funding sources. Failure to comply with these may be considered a contract default, resulting in lenders requesting their immediate collection and causing problems in obtaining alternative financial resources. At 30 June 2019, in addition to the Mittel 2017-2023 Bond, there are covenants on the medium/long-term loans taken out by the Group in order to invest in the share capital of Gruppo Zaffiro S.r.l., Ceramica Cielo S.p.A., and IMC S.p.A.

*Risks related to interest rate fluctuations*

The Mittel Group uses various forms of financing to support its investments. Therefore, significant changes in interest rates could potentially involve major increases/decreases in the cost of financing. To mitigate these risks, the Group issued a bond in 2017 with a fixed rate of 3,75%, expiring in July 2023, for a total of EUR 129,5 million. Gruppo Zaffiro S.r.l. and IMC S.p.A. subscribed an interest rate swap on the debt incurred at the time of the acquisition by Mittel S.p.A., again with the aim of mitigating risks of fluctuations in interest rates.

*Liquidity risk*

In July 2017, the Company issued the Mittel S.p.A. 2017-2023 bonds listed on the MOT market, organised and managed by Borsa Italiana S.p.A., for a total of EUR 129,5 million. Nonetheless, obtaining financial

resources outside the Group represents a factor of criticality for maintaining the Group's investment growth strategy.
Consequently, any worsening in the economic terms and conditions of new loans and any future reduction in the banking system's credit capacity could have negative effects on the Group's economic and financial situation and/or limit its growth capacity.
The Group's ability to cover scheduled payments, including interest payments on the debt, depends on its capacity to generate sufficient liquidity, also through disposals and/or divestments, and/or by refinancing its debt. This process is influenced, to a certain extent, by the economic, financial and market situation, laws and regulations applicable at each time, competition with other operators and other factors, many of which are outside of the Mittel Group's control.
Therefore, also in consideration of the potential misalignment between the duration of the Group's invested assets, mainly medium and long term, and the maturities on the relative sources of funding, there is a risk that the Group may find it difficult to meet its payment commitments at the set due dates as a result of difficulties in liquidating assets on the market without penalties (asset liquidity risk) or in raising funds (funding liquidity risk) at arm's length, with a resulting negative impact on the economic result if the Group is forced to incur additional costs to meet its commitments.

*Credit risk*

Financial transactions realised by the Group expose it to credit risk, understood as the possibility that an unexpected change in the counterpart's creditworthiness could impact the credit position, resulting in insolvency (default risk) or in terms of the market value of the position (spread risk). In addition, recent industrial acquisitions have created credit risk of a commercial nature, increasing the potential risk of delays in payment timing.
The Mittel Group is exposed to potential losses resulting from the non-fulfilment of the obligations assumed by the counterparties (both financial and commercial transactions), with specific reference to the following phenomena:

- in relation to investment activities, maintenance of heavy involvement in the entrepreneurial risk of the investments disposed of, also in relation to the presence of the vendor loan for a significant amount;
- concentration of credit on certain significant counterparties;
- increase in the average collection times of trade receivables, in particular on newly acquired industrial investee companies, with a subsequent deterioration in the financial position with respect to the forecasts.

*Risks connected with the market value of property inventories*

Despite the positive sales performance in 2017, 2018 and as at 30 June 2019, the substantial amount of the Group's invested capital in real estate investments and the restrained vitality of the real estate inventory in reference to certain specific initiatives, with the consequent risks of obsolescence and losses, have led to continued risk associated with the Group's operations in the Real Estate sector. Moreover, the freezing of financial resources on real estate assets represents an element of inflexibility with respect to the need, defined in the 2016-2019 Strategic Plan, for management to concentrate financial resources particularly on investments in Private Equity transactions that enable the Group to recover profitability. The Group recognises its property inventories at cost, net of any write-downs based on the net realisable value; in support of these values, when drafting the financial statements as at 31 December of each year, the Group asks external professionals with the necessary skills and qualifications for an appraisal of the main property assets at market values based on the measurement criteria normally used in practice, then adjusting the values based on these analyses. Though in the Company's opinion the appraisals take into consideration all factors significant to assessing the fairness of the book value of property inventories, the assessment of additional non-recurring elements not known as at the appraisal dates, compared to those used, could result in the determination of different values.
In addition, despite Mittel S.p.A. arranging the write-down of property assets where appraisals for the main property assets indicated net realisable values lower than their book values, it cannot be excluded that any worsening in the reference market may involve the future need for further potential value adjustments, with the subsequent negative effects on the Group's statement of financial position and income statement.
As at the date of this report, note that no covenants were directly associated with changes in the value of property assets or with the economic or equity results of companies operating in the Real Estate sector.

*Risks related to ongoing disputes*

In the normal course of its business, the Group is a party in some civil, tax and administrative proceedings, whose progress is periodically monitored by the corporate bodies of the subsidiaries and Parent Company.
In its consolidated financial statements, the Group allocated a specific provision for risks and charges to cover, *inter alia*, the liabilities that could result from the legal proceedings and other pending disputes, taking into consideration estimates for fees to be paid for advisory services used by the Group as part of the proceedings, including for disputes whose risk of a negative outcome is low.
The total amount of this provision for risks and charges and the amount of annual allocations to the provision are determined based on the probability that the proceedings will have a negative outcome for the Group or that there are payments for legal fees, even in the event of a positive outcome. Certain proceedings which the Group is a party to and which are predicted to have a possible, remote or unquantifiable negative outcome are not included in the provision for legal risks and charges, in accordance with IAS 37. Therefore, it is not possible to rule out the possibility that in the future the Group may be required to fulfil payment obligations that are not covered by the provision for risks and charges, or that the allocations made to the provision for risks and charges may be insufficient to cover liabilities deriving from an outcome more negative than expected.
Moreover, in general, irrespective of the legitimate grounds of the claims made, any initiation of legal or arbitration proceedings against Mittel S.p.A. and/or other Group companies, including any disputes concerning the Group's past operations as a shareholder of transferred companies, could result in possibly significant damage to the Group's image and reputation in its sector, with possible negative effects on the business and economic, equity and financial situations of Mittel S.p.A. and the Group.

*Risks associated with dependence on key management figures*

The Group's success depends heavily on a limited number of key management figures who provide and, in the Issuer's opinion, could continue to provide a significant contribution to the Group's business development. The Company has adopted a remuneration policy set up in order to ensure a remuneration structure capable of recognising the value and contributions of its managers.

Specifically, in March 2016, a medium/long-term incentive system was approved by the Issuer's Shareholders' Meeting, which provides for the assignment of Stock Appreciation Rights in favour of key managers and other key figures. This assignment was also envisaged in favour of the former Chief Executive Officer, Rosario Bifulco.

Though the measures implemented aim to strengthen the involvement and retention of these officers, any loss of key figures or an inability to attract and retain additional qualified personnel could result in decreased competitive capacity of the Group and jeopardise the forecast growth targets, with negative effects on the business activities and the economic and financial situation of the Company and Group. Furthermore, if one or more of the aforementioned key figures terminate their employment with the Group and it was not possible to replace them in an appropriate and timely manner with individuals of equal experience and skills, the competitive positioning of the Company and the Group could be diminished, with possible negative effects on assets and the replicability over time of results achieved. These risks also exist for the key figures in the sectors of companies that were acquired during the year, who have expertise in operational areas that are crucial for achieving the Group's strategy objectives.

*Risks related to dividend policy*

As at the reporting date, the Company had not adopted a dividend distribution policy. The regulations of the "Mittel S.p.A. 2017-2023" fixed-rate bond require that, for the entire duration of the bond, the Company cannot distribute dividends or income-related reserves exceeding a certain percentage of equity resulting from the Company's separate financial statements approved during each year throughout the bond's duration (see paragraph in this section).
Any future dividend distributions and their totals, in any event within the above limits, will also depend on future profit of the Company which, in particular, will be associated with dividends distributed by the investees and with capital gains achieved from the investment disposal transactions, circumstances which are naturally not periodic and/or recurring.

*Risks associated with laws and regulations applying to the Group*

The activities of the Mittel Group are subject to Italian and EU regulations and legislation, including tax regulations.

It cannot be excluded that future changes to existing regulations and legislation, including at interpretative level, may generate an increase in costs, expenses or levels of Group responsibility or adversely impact the Group's activities, with potential prejudicial effects on the activities and/or economic, equity and/or financial situation of the Group itself.
In addition, possible changes to tax legislation, *inter alia*, relating to the treatment of capital gains/losses on equity investments and real estate assets could have negative effects, respectively, on the returns of the Group's investments or on the Group's business activities performed in relation to these assets.
Finally, note that the Nursing Home operating segment, which was acquired in the previous year, is a highly regulated sector. Therefore, any changes to the current regulations, including those relating to health, safety and the environment, or the introduction of new regulations, could lead the Group to incur unexpected costs or limit operations, having detrimental effects on the business activities and/or the economic and financial situation of the Group.

*Risks associated with recent extraordinary transactions*

The acquisitions in recent years of Gruppo Zaffiro S.r.l., Ceramica Cielo S.p.A., and IMC S.p.A. as well as those carried out in the first months of 2019, led to the recognition of substantial goodwill, resulting from the business combination to acquire control and the subsequent consolidation of the acquired companies. In the context of these acquisitions, the selling parties issued declarations and guarantees to the buyer that are normally expected in this type of transaction. Should these guarantees need to be enforced, there would be a legal-contractual risk, in addition to a possible credit risk connected with the effective ability to collect the amounts covered by the guarantee.
Furthermore, an acquisition generally involves the assumption not only of the assets of a company, but also the related liabilities. Though the Mittel Group carries out due diligence before completing an acquisition and seeks suitable declarations and guarantees, as well as indemnity obligations from the seller, there is no certainty that the Group can identify and obtain adequate protection with respect to all the current and potential liabilities relating to a given business. The acceptance of unexpected liabilities for which no suitable contractual protection has been obtained or the seller providing the contractual protection becomes insolvent could give rise to negative effects on the business activities and profitability of the Company and Group.
Mittel Group's entry into a new business sector also involves the exposure to risks typical of that operating sector.
Lastly, note that the acquisitions carried out require, by their nature, the performance of activities that are typical for integrating companies into a group that already exists. Therefore, it cannot be excluded that the implementation of this integration process will involve costs, especially in the initial stages, incurred by the Company or Group, or that the complete and effective integration of the companies might require longer than expected or achievement of the forecast results fails or proves more complex than expected.

**Other information**

## Other information

*Research and development activities*

Given the nature of the Group companies, no specific research and development activities are carried out, with the exception of those performed by the companies in the Design sector, which incurred costs for research and development activities in the income statement for various research programmes.

*Atypical and/or unusual transactions*

Pursuant to Consob communication of 28 July 2006, it should be noted that the Company and the Group did not carry out atypical and/or unusual transactions during the year which were not communicated to the market in accordance with the Issuers' Regulation.

*Significant non-recurring events and transactions*

Pursuant to the aforementioned Consob communication, no significant non-recurring transactions were performed by the Company or the Group during the year.

*Consolidated non-financial statement*

Article 4 of Directive 2014/95/EU, concerning consolidated non-financial disclosure, envisages that the Member States must ensure that the provisions apply to all businesses falling under the scope of Article 1 starting from the year beginning 1 January 2017 or during 2017. Accordingly, Article 12 of Italian Decree Law 254/2016 envisages that the provisions of the decree apply, with reference to the statements and related reports, to financial years beginning on or after 1 January 2017.

Therefore, Mittel Group drafted the consolidated non-financial statement required by the aforementioned legislation starting from the financial year ended 31 December 2018. Please refer to the relative document published at the same time as the financial statements as at 31 December 2018.

*Information on the environmental impact*

Given the nature of the Group companies, no specific activities with an impact on the environment are carried out. Industrial acquisitions were carried out in recent years, in the sectors of ceramic production for designer sanitary-ware and components for the automotive industry. No significant environmental issues were reported for these companies, which became part of the Group's scope of consolidation during the previous year.

*Human resources*

Personnel are suited to meeting the needs of companies belonging to the sectors in which the Group operates. Training activities were focused on updating staff on the changes in the legislation and regulations that apply to the Group and on training courses regarding IT tools for supporting the organisation of work.

*Transactions with related parties of the Group*

Mittel S.p.A. has adopted special regulations on transactions with related parties, available at http://www.mittel.it/en/procedures/.

In terms of transactions with related counterparties identified on the basis of art. 2359 of the Italian Civil Code and IAS 24, it should be noted that, in the first half of 2019, transactions were entered into with said counterparties as part of ordinary Group operations and that no atypical and unusual transactions were carried out. All transactions were performed on an arm's length basis and generally refer to:

- the supply of general and administrative services between the Group companies;
- intercompany loan relationships and surety obligations;
- the intercompany transfer of IRES (corporate income tax)/VAT receivables;
- the issuing of guarantees from Group companies to investees.

*Transactions with related parties other than Group companies*

Other transactions with related parties other than Group companies refer to:

- salaries and other fees due to directors and key Group managers;
- billing of administrative and consultancy services, falling under ordinary operations to individuals and companies falling within the wider definition of related parties;

In April 2019, against two irrevocable purchase proposals concerning the sale of the property units located on the twelfth and thirteenth floors of Piazza Generale Armando Diaz no. 7 in Milan (the Company's registered office), the Related Party Committee was asked to express an overall non-binding opinion on the completion and content of the aforementioned proposals, as the proposal for the twelfth floor was received from Corporate Value S.p.A., a company whose partner in joint control is the Deputy Chairman of the Board of Directors and Chairman of the Executive Committee of Mittel S.p.A., Marco Colacicco, categorised as a transaction with related parties pursuant to the Procedure.
The sale of the property units would allow Mittel S.p.A. to pursue several objectives: (i)divest, in the short term, real estate assets that are no longer strategic for the Group's business, thus recovering financial resources that, although limited in amount, could be used in the core business of Mittel S.p.A.; (ii) implement a better allocation and functional reorganisation of the Company's operating spaces (offices) (currently located on a total commercial surface area of approximately 930 square meters, but divided into 3 offices, two of which are owned, on the 12th and 13th floors, and one office leased on the 5th floor of the same building) which, with the move to a new building, would allow the Company exclusive use of the space - in an area, among other things, which is also centrally located and highly prestigious - in a "dedicated" building with 4 floors that are connected with each other (for a total of about 700 square meters), already renovated and modernised according to the latest quality standards and better suited to the Group's current organisational structure; furthermore, this location will make it possible to visibly present the new image of Mittel and its core business on the outside of the building.
The final sales contract for both property units will be signed no later than 31 December 2019. Overall, the transaction will generate a positive economic impact for the Group of more than EUR 3,5 million in the second half.

Furthermore, note that in May 2019, as part of the launch of a study to verify the feasibility of the purchase transaction, Mittel requested professional assistance from the Pavia e Ansaldo law firm, for which Director Anna Saraceno is a contract partner. The fees agreed for this legal assistance, equal to a maximum of EUR 120 thousand including a possible success fee of EUR 20 thousand, is in line with market standards (best practices) for similar transactions, including in consideration of the professional skills that are provided. Therefore, the Related Party Committee of Mittel S.p.A. stated that it was in favour of this transaction, considered of minor importance.

Also in May 2019, the indirect subsidiary MiVa S.r.l. received a mandate proposal to assign the commercial management and sales support activities of its real estate initiative in Milan, Via Metauro and Via Vespri Siciliani, to Gruppo Edile Milanese S.r.l., a company controlled, respectively, by Blue Fashion Group S.p.A. - owned by the Stocchi family which in turn holds the majority of the share capital of Mittel S.p.A. through Progetto Co-Val S.p.A. - and by Corporate Value S.p.A. - the latter controlled by Marco Colacicco, Deputy Chairman of the Board of Directors and Chairman of the Executive Committee of Mittel S.p.A. Once again in this case, the Related Party Committee of Mittel S.p.A. expressed its positive opinion regarding this transaction, classified as minor given the fee of EUR 750 thousand, in consideration of (i) the competitiveness of the economic proposal with respect to similar sector operators, (ii) the complexity of the project and the scope of the services offered, as well as (iii) the proven experience and professional competence offered.

All transactions with related parties were conducted on an arm's length basis and, therefore, there are no atypical and unusual transactions to report.

*Treasury shares*

Following the cancellation of the residual set of treasury shares held by the Group, the Company does not own treasury shares as at the date of this report.

*Share-based payment arrangements*

As at 30 June 2019, there is only the option for share-based payment in the form of treasury shares of Mittel S.p.A. against the issue of the "Mittel 2016 Stock Appreciation Rights Plan" (SARs Plan) approved by the Parent Company Shareholders' Meeting of 24 March 2016.

As part of the medium/long-term incentive plans and after the termination of the employment relationship with the Chief Executive Officer Rosario Bifulco, which took place in November 2018, what resulted, *inter alia*, with his removal from the SARs Plan, at this time the plan in place for management is structured as a share-based payment arrangement.

The medium/long-term incentive plan is based on the assignment of a variable share-based compensation (Stock Appreciation Rights or SARs) at the end of the multi-year reference period and against the achievement of objectives. The objectives are predefined, linked to parameters verifiable *ex-post* and scalable in that they are assigned according to the office or role covered within the Group and as a function of the expected results.

These financial instruments offer beneficiaries the right, subject to the predefined conditions being met and at the end of the last year of the vesting period, to obtain the cash equivalent of the increased value of the company's ordinary shares compared to the value on assignment or, at the discretion of the Board of Directors, that value increase in the form of Company shares.

The long-term variable component (payable in cash or in Mittel S.p.A. shares at the discretion of the Board of Directors) will be equal to the difference between the ordinary share's closing price (calculated on the arithmetic average of the share's closing price in the thirty trading days prior to the exercise date) and the strike price (calculated on the arithmetic average of the share's closing price in the thirty trading days prior to assignment of the financial instruments). A number of instruments assigned to each beneficiary is determined, based on financial models that calculate the starting price of the share and provide an estimate of its present value.

The long-term incentive plan has a 5-year duration, of which 4 years as vesting period (expiry 31 December 2019) and one year for exercise of the assigned instruments (1 January 2020 - 31 December 2020).

All the economic and asset-related effects of the medium/long-term incentive plan relating to the assigned SARs will be accounted for during the vesting period on the basis of a value determined by the financial models used to estimate the respective present value based on the most likely objective achievement results.

*Security and Privacy Policy Document*

The Directors acknowledge that the Company implemented all the necessary adjustment measures and actions in relation to the protection of personal data in accordance with the legal terms and methods with reference to changes that occurred within the Group and taking into consideration that EU Regulation no. 2016/679 (General Data Protection Regulation or GDPR) came into force.

### Statement of reconciliation of equity and profit (loss) for the year

The reconciliation between equity and profit (loss) for the period of the Parent Company, as shown in the financial statements as at 30 June 2019, and the Group's equity and profit (loss) for the year, as reported in the consolidated financial statements as at the same date, is as follows:

| Amounts in thousands of Euro | 30 June 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Equity | Profit (loss) for the year | Equity | Profit (loss) for the year |
| **Equity and profit (loss) of the Parent Company** | **213.617** | **8.428** | **205.259** | **43.324** |
| **Elimination of book value of consolidated investments:** | | | | |
| Value of investments in consolidated companies | (118.510) | | (103.322) | |
| Goodwill arising on consolidation | 73.132 | | 67.585 | |
| Intangible assets arising from business combinations | | | | |
| Net capital gain attributed to the activities of consolidated companies | | | | |
| Pro-rata amount of equity of consolidated companies | 46.740 | | 51.460 | |
| Results achieved by fully consolidated companies | | 12.035 | | (43.368) |
| Cancellation of write-downs of investments | | | | 6.536 |
| **Adjustments for consistency with Group accounting policies:** | | | | |
| Fair value adjustments of financial assets | | | | |
| **Investments measured using the equity method:** | | | | |
| Adjustments for pro-rata results of investments measured using the equity method | 107 | | 171 | |
| Profit (loss) from investments measured using the equity method | | (60) | | (668) |
| **Elimination of effects of transactions carried out between consolidated companies:** | | | | |
| Net intercompany income capitalised in consolidated companies | | | | |
| **Elimination of intragroup dividends:** | | | | |
| Dividends distributed by fully consolidated companies | | (20.054) | | (4.500) |
| Dividends distributed by associates | | | | |
| **Taxes:** | | | | |
| Adjustment of tax rates | | | | |
| Other adjustments | | | | |
| Equity and profit (loss) for the period pertaining to the Group | **215.086** | **349** | **221.153** | **1.324** |
| Non-controlling interests | 15.005 | 458 | 28.128 | 984 |
| **Consolidated equity and profit (loss)** | **230.091** | **807** | **249.281** | **2.308** |

## Consolidated Statement of Financial Position

Amounts in thousands of Euro

| | Notes | 30.06.2019 | 31.12.2018 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 4 | 79.059 | 73.369 |
| Property, plant and equipment | 5 | 226.401 | 46.889 |
| *- of which IFRS 16 rights of use* | | *166.162* | - |
| Investments accounted for using the equity method | 6 | 6.057 | 6.121 |
| Financial receivables | 7 | 39.337 | 45.800 |
| Other financial assets | 8 | 16.111 | 17.865 |
| Sundry receivables and other assets | 9 | 663 | 901 |
| Deferred tax assets | 10 | 10.192 | 4.586 |
| **Total non-current assets** | | **377.820** | **195.531** |
| **Current assets** | | | |
| Inventories | 11 | 82.224 | 78.257 |
| Financial receivables | 12 | 25 | - |
| Current tax assets | 13 | 3.740 | 5.413 |
| Sundry receivables and other assets | 14 | 41.582 | 23.203 |
| Cash and cash equivalents | 15 | 229.782 | 223.822 |
| **Total current assets** | | **357.352** | **330.695** |
| Assets held for sale | 16 | - | 18.956 |
| **Total assets** | | **735.172** | **545.182** |
| **Equity** | | | |
| Share capital | | 87.907 | 87.907 |
| Share premium | | 53.716 | 53.716 |
| Treasury shares | | - | (11.178) |
| Reserves | | 73.113 | 89.384 |
| Profit (loss) for the period | | 349 | 1.324 |
| **Equity pertaining to the Group** | 17 | **215.086** | **221.153** |
| Non-controlling interests | 18 | 15.005 | 28.128 |
| **Total equity** | | **230.091** | **249.281** |
| **Non-current liabilities** | | | |
| Bonds | 19 | 129.365 | 129.256 |
| Financial payables | 20 | 226.837 | 55.162 |
| *- of which IFRS 16 financial liabilities* | | *173.532* | - |
| Other financial liabilities | 21 | 356 | 210 |
| Provisions for personnel | 22 | 6.949 | 5.328 |
| Deferred tax liabilities | 23 | 8.007 | 7.041 |
| Provisions for risks and charges | 24 | 1.935 | 1.506 |
| Sundry payables and other liabilities | 25 | 862 | 155 |
| **Total non-current liabilities** | | **374.312** | **198.657** |
| **Current liabilities** | | | |
| Bonds | 26 | 44.938 | 44.844 |
| Financial payables | 27 | 22.439 | 10.669 |
| *- of which IFRS 16 financial liabilities* | | *5.059* | - |
| Other financial liabilities | 28 | 12.032 | 13.200 |
| Current tax liabilities | 29 | 1.350 | 137 |
| Sundry payables and other liabilities | 30 | 50.010 | 27.851 |
| **Total current liabilities** | | **130.769** | **96.701** |
| Liabilities held for sale | 31 | - | 542 |
| **Total equity and liabilities** | | **735.172** | **545.182** |

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the consolidated statement of financial position of the Mittel Group are outlined in the appropriate statement of financial position table shown in the pages below and are described not only in the comments on the individual financial statement items but in the explanatory notes to these financial statements.

On 1 January 2019, the Group adopted IFRS 16 using the modified retroactive application method, pursuant to which comparison information has not been restated and the cumulative effect of the initial application is recognised in profits carried forward at the date of initial application.

## Consolidated Income Statement

Amounts in thousands of Euro

| | | 01.01.2019<br>30.06.2019 | 01.01.2018<br>30.06.2018 |
|---|---|---|---|
| Revenue | 32 | 66.090 | 58.059 |
| Other income | 33 | 1.966 | 1.439 |
| Changes in inventories | 34 | (9.890) | (3.576) |
| Costs for purchases | 35 | (18.052) | (18.253) |
| Costs for services | 36 | (11.699) | (13.317) |
| Personnel costs | 37 | (17.402) | (15.155) |
| Other costs | 38 | (1.504) | (1.313) |
| Amortisation and value adjustments to intangible assets | 39 | (6.003) | (2.768) |
| Allocations to the provision for risks | 40 | (55) | (234) |
| Share of income (loss) of investments accounted for using the equity method | 41 | (60) | (585) |
| **Operating result (EBIT)** | | **3.391** | **4.297** |
| Financial income | 42 | 2.307 | 2.082 |
| Financial expenses | 43 | (7.298) | (5.185) |
| Dividends | 44 | 183 | 215 |
| Profit (loss) from management of financial assets and investments | 45 | 83 | 0 |
| Value adjustments to financial assets and receivables | 46 | (1.318) | 1.703 |
| **Profit (loss) before taxes** | | **(2.652)** | **3.112** |
| Income taxes | 47 | 3.459 | 1.542 |
| **Profit (loss) for the year** | | **807** | **4.655** |
| **Attributable to:** | | | |
| Profit (loss) pertaining to non-controlling interests | 48 | 458 | 1.201 |
| **Profit (loss) pertaining to the Group** | | **349** | **3.454** |

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the consolidated income statement of the Mittel Group are outlined in the appropriate income statement table shown in the pages below and are described not only in the comments on the individual financial statement items but in the explanatory notes to these financial statements, to which reference should be made.

On 1 January 2019, the Group adopted IFRS 16 using the modified retroactive application method, pursuant to which comparison information has not been restated and the cumulative effect of the initial application is recognised in profits carried forward at the date of initial application.

## Consolidated Statement of Comprehensive Income

Amounts in thousands of Euro

| | Notes | 01.01.2019 30.06.2019 | 01.01.2018 30.06.2018 |
|---|---|---|---|
| **Profit/(loss) for the year (A)** | | **807** | **4.655** |
| **Other comprehensive profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period:** | | | |
| Profits/(losses) from remeasurement of defined benefit plans | | (332) | 58 |
| Tax effect relating to other profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period | | 56 | (12) |
| **Total other profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period, net of taxes (B.1)** | | **(276)** | **46** |
| **Other comprehensive profits/(losses) which will be subsequently reclassified to profit/(loss) for the period:** | | | |
| Effective part of the profits/(losses) on cash flow hedges | 17 | (106) | (108) |
| Profits/(losses) from recalculation of financial assets | 17 | - | (3.254) |
| Profits/(losses) from the sale of financial assets | 17 | - | - |
| Release to the income statement of losses for fair value impairment on financial assets | 17 | - | - |
| Share of profits/(losses) of companies measured using the equity method | 17 | - | - |
| Tax effect relating to other profits/(losses) which will be subsequently reclassified to profit/(loss) for the period | | 26 | 15 |
| **Total other profits/(losses) which will be subsequently reclassified to profit/(loss) for the period, net of taxes (B.2)** | | **(80)** | **(3.347)** |
| **Total other profits/(losses), net of taxes (B)=(B.1)+(B.2)** | | **(356)** | **(3.301)** |
| **Total comprehensive profit/(loss) (A) + (B)** | | **451** | **1.354** |
| **Total comprehensive profit/(loss) attributable to:** | | | |
| Non-controlling interests | | 419 | 965 |
| Profit (loss) pertaining to the Group | | 32 | 389 |

# Statement of changes in consolidated equity for the half-year ended 30 June 2019

Amounts in thousands of Euro

| | Share capital | Treasury shares | Capital reserves | Profit reserves | Reserve from remeasurement of defined benefit plans | Cash flow hedge reserve | Valuation reserve for financial assets | Share of comprehensive profits/(losses) of companies measured using the equity method | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2018** | **87.907** | **(21.058)** | **53.716** | **99.431** | **(396)** | **(66)** | **-** | **-** | **23.218** | **242.753** |
| Changes in the consolidation scope | - | - | - | - | - | - | - | - | - | **-** |
| Capital payments by non-controlling shareholders | - | - | - | - | - | - | - | - | - | **-** |
| Share-based payments (SARs Plan) | - | - | - | - | - | - | - | - | - | **-** |
| Other changes | - | - | - | 454 | - | - | - | - | 607 | **1.061** |
| Dividends distributed | - | 9.880 | - | (9.880) | - | - | - | - | - | **-** |
| **Total comprehensive profit/(loss)** | - | - | - | 3.454 | 37 | (81) | - | - | 965 | **4.375** |
| **Balance as at 30 June 2018** | **87.907** | **(11.178)** | **53.716** | **93.459** | **(359)** | **(147)** | **-** | **-** | **24.790** | **248.188** |
| **Balance as at 31 December 2018** | **87.907** | **(11.178)** | **53.716** | **91.248** | **(385)** | **(155)** | **-** | **-** | **28.128** | **249.281** |
| **Balance as at 1 January 2019** | **87.907** | **(11.178)** | **53.716** | **91.248** | **(385)** | **(155)** | **-** | **-** | **28.128** | **249.281** |
| Effects for first application of IFRS 16 | - | - | - | (2.959) | - | - | - | - | (981) | **(3.940)** |
| Changes in the consolidation scope | - | - | - | (3.013) | - | - | - | - | (1.898) | **(4.911)** |
| Capital payments by non-controlling shareholders | - | - | - | - | - | - | - | - | - | **-** |
| Cancellation of treasury shares | - | 11.178 | - | (11.178) | - | - | - | - | - | **-** |
| Other changes | - | - | - | (101) | (26) | - | - | - | 139 | **12** |
| Dividends distributed | - | - | - | - | - | - | - | - | (10.802) | **(10.802)** |
| | | | | | | | | | | **-** |
| | | | | | | | | | | **-** |
| | | | | | | | | | | **-** |
| **Total comprehensive profit/(loss)** | - | - | - | 349 | (255) | (62) | - | - | 419 | **451** |
| **Balance as at 30 June 2019** | **87.907** | **-** | **53.716** | **74.346** | **(666)** | **(217)** | **-** | **-** | **15.005** | **230.091** |

## Consolidated Cash Flow Statement

| Amounts in Euro | Notes | 30.06.2019 | 30.06.2018 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Net profit (loss) for the year pertaining to the Parent Company and non-controlling interests** | | **807** | **4.655** |
| Adjustments to reconcile net profit (loss) with cash flows generated (absorbed) by operating activities: | | | |
| *Current taxes* | | 1.111 | 764 |
| *Deferred taxes* | | (4.570) | (2.306) |
| *Depreciation of property, plant and equipment* | | 5.955 | 2.567 |
| *Amortisation of intangible assets and write-downs* | | 48 | 201 |
| *Dividends received* | | (183) | (215) |
| *Financial income* | | (2.307) | (2.072) |
| *Financial expenses* | | 7.286 | 5.174 |
| *Gains/(losses) on exchange* | | 12 | - |
| *Allocations to provisions for risks and charges* | | 55 | 234 |
| *Provisions for employee severance indemnity* | | 593 | 783 |
| *Other net non-operating/monetary income/(expenses)* | | 695 | 43 |
| *Profits/(losses) of investments measured using the equity method* | | 60 | 585 |
| *Write-downs (reversals of impairment losses) on receivables* | | 28 | (479) |
| *(Gains)/losses on receivables* | | 2 | 88 |
| *Write-downs (reversals of impairment losses) on financial assets* | | 1.290 | (1.224) |
| **Cash flows from operating activities before changes in working capital** | | **10.882** | **8.798** |
| (Increase)/decrease in inventories | | 9.919 | 3.576 |
| (Increase)/decrease in other current assets | | (6.696) | (2.730) |
| Increase/(decrease) in trade payables and other current liabilities | | 6.299 | 4.323 |
| **Cash and cash equivalents generated (absorbed) by operating activities** | | **20.404** | **13.967** |
| Usage of provisions for risks and charges | | 225 | (344) |
| Payments of employee severance indemnity | | (663) | (418) |
| Change in tax payables/receivables | | 2.189 | 1.134 |
| **(A) CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES** | | **22.154** | **14.339** |
| **INVESTING ACTIVITIES** | | | |
| Dividends received on financial assets | | 183 | 215 |
| Investments in: | | | |
| *Investments* | | (6.891) | (80) |
| *Other non-current assets (property, plant and equipment and intangible assets, including IFRS 16 rights of use)* | | (39.093) | - |
| Cash flow connected to business combinations: | | | |
| *Galassia Group* | 3 | (8.647) | - |
| *Disegno Ceramica* | 3 | (1.973) | - |
| *Zaffiro Sanremo business unit* | | - | (700) |
| Realisation from disposal of: | | | |
| *Other financial assets* | | 604 | 2.061 |
| *Financial instruments held for trading* | | - | 2.618.060 |
| *Net cash flow connected to assets held for sale* | | 18.414 | - |
| (Increase)/decrease in financial receivables | | 7.371 | 2.212 |
| Interest collected | | 543 | 1.525 |
| **(B) NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES** | | **(29.489)** | **244** |
| **FINANCING ACTIVITIES** | | | |
| Increase (decrease) in payables due to banks and other lenders (including IFRS 16 liabilities) | | 31.116 | (14.137) |
| Issue (redemption) of bonds | | - | (942) |
| Interest paid (including expenses on IFRS 16 liabilities) | | (7.021) | (4.669) |
| Payment of dividends to non-controlling interest | | (10.802) | - |
| **(C) NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES** | | **13.294** | **(19.748)** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D = A+B+C)** | | **5.959** | **(5.165)** |
| **OPENING CASH AND CASH EQUIVALENTS (E)** | | 223.822 | 155.471 |
| **CLOSING CASH AND CASH EQUIVALENTS (F = D+ E)** | | **229.782** | **150.306** |

## Consolidated Statement of Financial Position pursuant to Consob Resolution no. 15519 of 27 July 2006

Amounts in thousands of Euro

| | Notes | 30.06.2019 | *of which related parties* | *% incidence* | 31.12.2018 | *of which related parties* | *% incidence* |
|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | |
| Intangible assets | 4 | 79.059 | - | | 73.369 | - | |
| Property, plant and equipment | 5 | 226.401 | - | | 46.889 | - | |
| Investments accounted for using the equity method | 6 | 6.057 | - | | 6.121 | - | |
| Financial receivables | 7 | 39.337 | 9.980 | 25,4% | 45.800 | 17.227 | 37,6% |
| Other financial assets | 8 | 16.111 | - | | 17.865 | - | |
| Sundry receivables and other assets | 9 | 663 | 14 | 2,1% | 901 | - | |
| Deferred tax assets | 10 | 10.192 | - | | 4.586 | - | |
| | | **377.820** | **9.994** | **2,6%** | **195.531** | **17.227** | **8,8%** |
| **Current assets** | | | | | | | |
| Inventories | 11 | 82.224 | - | | 78.257 | - | |
| Financial receivables | 12 | 25 | - | | - | - | |
| Current tax assets | 13 | 3.740 | - | | 5.413 | - | |
| Sundry receivables and other assets | 14 | 41.582 | - | | 23.203 | 36 | 0,2% |
| Cash and cash equivalents | 15 | 229.782 | - | | 223.822 | - | |
| **Total current assets** | | **357.352** | **-** | | **330.695** | **36** | **0,0%** |
| Assets held for sale | 16 | - | - | | 18.956 | - | |
| **Total assets** | | **735.172** | **9.994** | **1,4%** | **545.182** | **17.263** | **3,2%** |
| **Equity** | | | | | | | |
| Share capital | | 87.907 | - | | 87.907 | - | |
| Share premium | | 53.716 | - | | 53.716 | - | |
| Treasury shares | | - | - | | (11.178) | - | |
| Reserves | | 73.113 | - | | 89.384 | - | |
| Profit (loss) for the year | | 349 | - | | 1.324 | - | |
| **Equity pertaining to the Group** | 17 | **215.086** | **-** | | **221.153** | **-** | |
| Non-controlling interests | 18 | 15.005 | - | | 28.128 | - | |
| **Total equity** | | **230.091** | **-** | | **249.281** | **-** | |
| **Non-current liabilities** | | | | | | | |
| Bonds | 19 | 129.365 | - | | 129.256 | - | |
| Financial payables | 20 | 226.837 | - | | 55.162 | - | |
| Other financial liabilities | 21 | 356 | - | | 210 | - | |
| Provisions for personnel | 22 | 6.949 | - | | 5.328 | - | |
| Deferred tax liabilities | 23 | 8.007 | - | | 7.041 | - | |
| Provisions for risks and charges | 24 | 1.935 | - | | 1.506 | - | |
| Sundry payables and other liabilities | 25 | 862 | - | | 155 | - | |
| **Total non-current liabilities** | | **374.312** | **-** | **0,0%** | **198.657** | **-** | **0,0%** |
| **Current liabilities** | | | | | | | |
| Bonds | 26 | 44.938 | - | | 44.844 | - | |
| Financial payables | 27 | 22.439 | - | | 10.669 | - | |
| Other financial liabilities | 28 | 12.032 | - | | 13.200 | - | |
| Current tax liabilities | 29 | 1.350 | - | | 137 | - | |
| Sundry payables and other liabilities | 30 | 50.010 | 477 | 1,0% | 27.851 | 377 | 1,4% |
| **Total current liabilities** | | **130.769** | **477** | **0,4%** | **96.701** | **377** | **0,4%** |
| Liabilities held for sale | 31 | - | - | | 542 | - | |
| **Total equity and liabilities** | | **735.172** | **477** | **0,1%** | **545.182** | **377** | **0,1%** |

# Consolidated Income Statement pursuant to Consob Resolution no. 15519 of 27 July 2006

Amounts in thousands of Euro

| | Notes | 30.06.2019 | *of which related parties* | *% incidence* | 30.06.2018 | *of which related parties* | *% incidence* |
|---|---|---|---|---|---|---|---|
| Revenue | 32 | 66.090 | 34 | 0,1% | 58.059 | 39 | 0,1% |
| Other income | 33 | 1.966 | 13 | 0,7% | 1.439 | 15 | 1,0% |
| Changes in inventories | 34 | (9.890) | | | (3.576) | | |
| Costs for purchases | 35 | (18.052) | | | (18.253) | | |
| Costs for services | 36 | (11.699) | (485) | 4,1% | (13.317) | (585) | 4,4% |
| Personnel costs | 37 | (17.402) | (370) | 2,1% | (15.155) | (302) | 2,0% |
| Other costs | 38 | (1.504) | | | (1.313) | | |
| Amortisation and value adjustments to intangible assets | 39 | (6.003) | | | (2.768) | | |
| Allocations to the provision for risks | 40 | (55) | | | (234) | | |
| Share of income (loss) of investments accounted for using the equity method | 41 | (60) | | | (585) | | |
| **Operating result (EBIT)** | | **3.391** | | | **4.297** | | |
| Financial income | 42 | 2.307 | 265 | 11,5% | 2.082 | 973 | 46,7% |
| Financial expenses | 43 | (7.298) | | | (5.185) | | |
| Dividends | 44 | 183 | | | 215 | | |
| Profit (loss) from management of financial assets and investments | 45 | 83 | | | - | | |
| Value adjustments to financial assets and receivables | 46 | (1.318) | | | 1.703 | | |
| | | - | | | - | | |
| **Profit (loss) before taxes** | | **(2.652)** | | | **3.112** | | |
| Income taxes | 47 | 3.459 | | | 1.542 | | |
| **Profit (loss) for the year** | | **807** | | | **4.655** | | |
| **Attributable to:** | | | | | | | |
| Profit (loss) pertaining to non-controlling interests | 48 | 458 | | | 1.201 | | |
| **Profit (loss) pertaining to the Group** | | **349** | | | **3.454** | | |

# Explanatory Notes

## 1. Form and content of the financial statements

The consolidated financial report is composed of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, accompanied by the explanatory notes. The income statement was drafted in line with the minimum contents of IAS 1 - Presentation of Financial Statements - with classification of costs by nature; the Statement of Financial Position was prepared according to the layout which highlights the breakdown of 'current/non-current' assets and liabilities. The cash flow statement was drafted using the indirect method.

## 2. Significant accounting standards and basis of preparation

### 2.1 General principles

The condensed half-yearly consolidated financial statements as at 30 June 2019 were drafted in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union as at 31 December 2017, and the provisions issued in implementation of article 9 of Legislative Decree no. 38/2005. IFRS also mean all revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The half-yearly financial statements for the period 1 January 2019 - 30 June 2019 were drafted according to IAS 34 "Interim Financial Reporting". The half-yearly financial statements as at 30 June 2019 do not include all the additional information required in the annual financial statements and should be read together with the annual financial statements of the Group as at 31 December 2018. The explanatory notes are also presented in accordance with the minimum information required by IAS 34 and the additions deemed useful for a better understanding of the half-yearly financial report as at 30 June 2019.

The condensed half-yearly consolidated financial statements were prepared on the basis of the general historical cost principle, amended as required for the valuation of certain financial instruments. The Directors established that, despite the presence of a difficult economic and financial context, no significant uncertainties existed, as defined by paragraph 25 of IAS 1, regarding the going concern assumption.

This section illustrates the general principles adopted in drafting the condensed half-yearly consolidated financial statements as at 30 June 2019, as required by IAS 1.

*a) Going concern*
Assets, liabilities and "off-statement of financial position" transactions are valued according to operating values, given that they are set to last over time.

*b) Accrual basis accounting*
Costs and revenue are recorded, regardless of the moment of their monetary settlement, on an accrual basis and according to the matching criterion.

*c) Consistency of presentation*
The presentation and classification of items are maintained constant over time in order to ensure the comparability of information, except where their change is required by an International Accounting Standard or interpretation, or it makes the presentation of values more appropriate, in terms of significance and reliability. If a presentation or classification criterion is changed, the new one applies, where possible, retroactively; in this case, the nature and the reason for the change are also indicated, as well the affected items.

*d) Materiality and Aggregation*
Each material class of similar items is shown separately in the financial statements. Items with a dissimilar nature or function are presented separately.

*e) Prohibition of offsetting*

Assets and liabilities, costs and revenue are not offset against one another, except where required or permitted by an International Accounting Standard.

*f) Comparative information*

Comparative information for the previous year is shown for all figures contained in the financial statements, unless prescribed or permitted otherwise by an International Accounting Standard or interpretation. Descriptive information is also included, when useful for understanding the data.

## 2.2 Financial statements and tables

The condensed half-yearly consolidated financial statements are composed of the Income Statement, Statement of comprehensive income, Statement of Financial Position, Cash flow statement and Statement of changes in equity, accompanied by the explanatory notes. They were drafted in line with the minimum contents of IAS 1 – Presentation of Financial Statements.

The table “Other comprehensive income” includes the components of income suspended in equity such as:

- profits and losses from the redetermination of financial assets;
- the effective part of the profits and losses on cash flow hedging instruments.

Other profits (losses) that will or will not be subsequently reclassified to profit (loss) for the year are also shown.

The variations generated by transactions with non-owners must be shown in a single separate table that shows the performance in the year (statement of comprehensive income and losses recorded) or in two separate statements: a table that shows the components of profit (loss) for the year (income statement) and a second table that starts from profit (loss) for the year and shows the items of the table of the other comprehensive income statement (Statement of comprehensive income).

These changes generated by transactions with non-owners must also be shown separately in the Statement of changes in equity with respect to variations generated by transactions with owners.

The Group chose to show all changes generated by transactions with non-owners in two tables which measure the performance in the year, entitled “Income Statement” and “Statement of comprehensive income”.

The income statement is drafted according to the layout with the classification of costs by nature, showing the interim results relating to the gross operating margin, operating result and the pre-tax result. The operating result is determined as the difference between net revenue and operating costs (the latter including non-monetary costs relating to amortisation/depreciation and write-downs of current and non-current assets, net of any write-backs) and including capital gains and losses generated by the disposal of non-current assets. In order to permit a better measurement of the trend in ordinary operations, cost and revenue components deriving from events or transactions that are considered non-recurring due to their nature or the materiality of their amount, are indicated separately, where significant.

The Statement of Financial Position is prepared according to the layout that shows a breakdown of assets and liabilities between current and non-current. Assets and liabilities are classified as current when they meet the following criteria:

- current assets are represented by cash or cash equivalents, by assets that are expected to be realised, sold or consumed during the normal execution of the company’s operating cycle, available-for-sale assets, assets held for trading, or those that are expected to be realised within twelve months from the closing date of the reporting period;
- current liabilities are those that are expected to be extinguished during the normal operating cycle of the Group or within twelve months from the reporting date, liabilities held for trading or those that do not have an unconditional right to deferment of their extinguishment after twelve months. All other liabilities must be classified as non-current liabilities.

The Statement of Changes in Equity illustrates the changes that took place in items of equity relating to:

- allocation of the Group’s profit (loss) for the year to non-controlling shareholders;

- amounts relating to transactions with shareholders;
- each item of profit and loss net of taxes, which is booked directly to equity or has a contra-item in an equity reserve;
- change in the valuation reserve of available-for-sale financial assets and in the cash flow hedge reserve;
- effect of any changes in accounting standards.

The Cash flow statement was drafted by applying the indirect method, through which the net income is adjusted by the effects of non-monetary transactions, any deferment or provision of previous or future operating collections or payments and by elements of revenue or costs connected to the cash flows deriving from investing or financing activities. Income and expenses relating to medium/long-term financing transactions and to the associated hedging instruments, as well as the dividends paid, are included in financing activities.

The figures of these condensed half-yearly consolidated financial statements are compared with those of last year's financial statements drafted using the same criteria, with the exception of that which is described in the paragraph "Changes in IFRS accounting standards, amendments, and interpretations", to which reference should be made.

Lastly, it should be noted that, in order to comply with the indications in Consob Resolution no. 15519 of 27 July 2006 "Provisions governing financial statement layouts", in addition to the mandatory tables, the appropriate Income Statement and Statement of Financial Position tables were prepared, with evidence of the significant amounts of positions or transactions with related parties indicated separately from the respective reference items.

The values of the items in the condensed half-yearly consolidated financial statements are expressed in thousands of Euro.

**Events after the reporting period (IAS 10)**

These financial statements were authorised for publication, in accordance with IAS 10, by the Board of Directors on 25 September 2019. Reference should be made to the information in the Directors' Report on Operations for a description of the significant events after the reporting period.

## 2.3 Accounting standards adopted by the Mittel Group

**Intangible assets (IAS 38)**

Intangible assets are identifiable non-monetary assets without physical substance, held to be used in a multi-year or indefinite period. These are recorded at cost, adjusted for additional expenses only if it is probable that the future economic benefits that are attributable to the asset will be realised and if the cost of the asset can be measured reliably. In the opposite case, the cost of the intangible asset is booked to the income statement in the year in which it was incurred.

The cost of intangible assets with a finite useful life is amortised using the straight-line method on the basis of the relative useful life.
If the useful life is indefinite, no amortisation is carried out, but solely the periodic verification of the adequacy of the book value of the fixed assets. Intangible assets originating from software developed internally and acquired from third parties are amortised on a straight-line basis, effective from the completion and entry into operation of the applications based on the relative useful life. At each reporting date, in the presence of impairment, the recoverable value of the asset is estimated.

The amount of the loss, booked in the income statement, is equal to the difference between the asset's book value and its recoverable value.
An intangible asset is derecognised from the statement of financial position on disposal or when no future economic benefits are expected from its use.

Goodwill can be recorded if representative of future income-generating capacities of the investee. A test is conducted at the close of each financial year to check the value of goodwill. Any impairment loss is determined on the basis of the difference between the book value of goodwill and its realisable value, equal to the higher of the fair value of the cash generating unit, less costs to sell, and the associated value in use.

Development costs refer to new product innovation projects and are recorded under assets in compliance with the considerations of IAS 38, i.e.:
- demonstrability of the technical feasibility of the products;
- intention of the Group to complete the development project;
- reliable determination of the costs incurred for the project;
- recoverability of the values recorded through the future expected benefits from completion of the development project.

It should be noted that said item includes any intangible assets under development to be amortised starting from the year their useful life starts.

*Intangible assets with an indefinite useful life*

An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.
Intangible assets with an indefinite useful life are not amortised but are subject to an impairment test, to verify the recoverability of their carrying amount; this test pertains to the value of the individual asset and is carried out when impairment has been identified and, in any case, at least on an annual basis.

**Property, plant and equipment (IAS 16)**

Property, plant and equipment are initially measured at cost which includes not only the purchase price, but all additional expenses directly attributable to the purchase and to bringing the asset to working condition for its intended use.
Extraordinary maintenance costs which involve an increase in future economic benefits are booked to increase the value of the assets, while other ordinary maintenance costs are recognised in the income statement.
Property, plant and equipment include operating premises, plants, furniture, fittings and equipment of any type.
Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.
Property, plant and equipment are valued at cost, less any accumulated depreciation and impairment.
Property, plant and equipment are systematically depreciated over their useful life, by adopting the straight-line method.

The depreciation rates used by Group companies are as follows:
- Buildings: a range between 3,0% and 6,0%
- Vehicles: a range between 20% and 25%
- Fixtures and furnishings: 12%
- Office machines: a range between 20% and 33%
- Equipment: a range between 15% and 40%;
- Generic systems: 10%;
- Specific systems: a range between 12,5% and 17,5%;
- Robotic work centres: 22%.

Land is not depreciated as it has an indefinite useful life.
Capitalisable costs for improvements to leased third-party assets are attributed to the asset classes to which they refer and amortised at the lower of the residual term of the rental agreement and the residual useful life of the asset to which the improvement relates.
At each reporting date, testing must be performed for any signs of impairment, or indications that show that an asset may have been impaired.
If there are signs of impairment, a comparison is made between the book value of the asset and its recoverable value, equal to the higher of the fair value, less costs to sell, and the associated value in use of the asset, understood as the present value of future cash flows originating from the asset. Any adjustments are booked to the income statement. If the reasons for the recognition of the loss no longer exist, the value is revised, which cannot exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment.

Property, plant and equipment are derecognised from the statement of financial position on disposal.
Profits and losses deriving from transfers or disposals of assets are determined as the difference between the sales revenue and the net book value of the assets and are recognised in the income statement in the period.

Leasehold improvements are classified under property, plant and equipment, consistent with the nature of the cost incurred. The depreciation period corresponds to the shorter of the residual useful life of the tangible asset and the residual duration of the lease.

**Leases (IFRS 16)**

The Group has various contracts in place for the use of facilities and buildings, offices, vehicles, machinery and other minor assets owned by third parties. The lease terms are negotiated individually and contain a wide range of differing terms and conditions. The contracts do not include covenants, but the leased assets can be used to guarantee the liability deriving from contractual commitments.
The Group recognises for all lease contracts, with the exception of short-term leases (i.e., leases with a duration of less than or equal to 12 months and which do not contain a purchase option) and those for low-value assets (i.e., with a unit value of less than EUR 5 thousand), a right of use on the lease's start date, which corresponds to the date on which the underlying asset is available for use. Lease payments relating to short-term and low-value contracts are recognised as costs in the income statement on a straight-line basis over the lease term.

Rights of use are valued at cost, net of accumulated amortisation and impairment losses, and adjusted each time the lease liabilities are re-measured. The value assigned to rights of use corresponds to the amount of the lease liabilities recognised, plus initial direct costs incurred, the lease payments settled on the contract start date or previously, and restoration costs, net of any lease incentives received. Restoration costs, which can be recognised only in rare cases, are normally related to offices, for which the return to their original state at the end of the lease agreement may be envisaged in the contract. Unless the Group is reasonably certain of obtaining ownership of the leased asset at the end of the lease term, rights of use are amortised on a straight-line basis in accordance with the estimated useful life or contract's duration, whichever is lower.

The financial liability for leases is recognised on the start date of the agreement for a total value equal to the present value of the lease payments to be paid during the contract's duration, discounted using marginal interest rates (incremental borrowing rate - 'IBR'), when the interest rate implicit in the lease contract cannot be easily determined. Variable lease payments continue to be charged to the income statement as a cost for the period.
After the start date, the amount of lease liabilities increases to reflect the accrual of interest and decreases to reflect payments made. Each lease payment is divided between repayment of the liability's principal and the financial expense. The financial expense is charged to the income statement over the contract's duration, to reflect a constant interest rate on the liability's residual debt, for each period.
In the case of sub-lease agreements and amendment of the lease agreement, the rules envisaged in IFRS 16 "Leases" apply.
IFRS 16 requires management to make estimates and assumptions that may affect the measurement of the right of use and the financial liability for leasing, including the determination of:

- contracts in the scope of application of the new rules for measuring assets/liabilities with the financial method;
- contract terms;
- interest rate used to discount future lease payments.

The contracts are included or excluded from the application of the standard based on detailed analyses carried out on each individual agreement and in line with the rules established by IFRS.
The lease term is calculated considering the non-cancellable period of the lease, together with the periods covered by an option to extend the agreement if it is reasonably certain that it will be exercised, or any period covered by a termination option for the lease contract, if it is reasonably certain not to be exercised. The Group assesses whether it is reasonably certain whether or not to exercise the extension and termination options, taking into account all relevant factors that create an economic incentive relating to these decisions. The initial assessment is reviewed if there is a significant event or a change in the characteristics that affect the assessment itself and are under the control of the Group.
The marginal interest rates defined by the Group are reviewed on a recurring basis and applied to all contracts with similar characteristics, which were considered as a single portfolio of contracts. The rates are determined starting from the Parent Company's effective average borrowing rate, appropriately adjusted

based on the requirements of the new accounting rules, to simulate a theoretical marginal interest rate consistent with the contracts being valued. The most significant elements considered in the rate adjustment are the credit-risk spread observable on the market and the differing durations of the lease contracts. Rarely are interest rates set forth in the lease agreements.
Lease incentives received by and not later than the contact's start date are charged as a direct reduction of the value of the right of use; the corresponding value reflects the consideration already received net of the receivable to be collected. Lease incentives agreed during the term of the contract are considered amendments to the original contract, measured at the date of the change, with a consequent impact of equal value on the value of both the right of use and the lease liability.

*Initial measurement:*
On the start date, the lessee must measure the cost of the asset, consisting of the right of use, which includes:

- the amount of the initial measurement of the lease liability, as described below;
- lease payments due that are made on or before the start date, net of lease incentives received;
- direct initial costs incurred by the lessee; and
- the estimate of costs that the lessee must incur to decommission and remove the asset and restore the site or asset to the conditions provided for by the lease, unless these costs are incurred to produce inventories. The obligation relating to the aforementioned costs arises for the lessee on the start date or as a result of the use of the underlying asset during a specific period and is recognised as a provision for expenses as per IAS 37.

*Initial measurement of the lease liability:*
At the start date, the lessee must measure the lease liability at the present value of payments due and not paid at that date. Payments due must be discounted using the implicit interest rate of the lease, if it can be easily determined. If this is not possible, the lessee must use its marginal borrowing rate.
On the start date, the payments due include:

- fixed payments, net of any lease incentives to be received;
- payments based on an index or rate, initially estimated with an index or rate on the start date;
- amounts that the lessee expects to pay as guarantee of the residual value;
- exercise price of the purchase option, if the lessee is reasonably certain that the option will be exercised; and
- lease termination penalties, if the lease term takes into account that the lessee will exercise the lease termination option.

*Subsequent measurements:*
After the start date, the lessee measures the asset consisting of the right of use by applying the cost model. Based on the cost model, the lessee must amortise the right of use, as envisaged in IAS 16 (and, where applicable, recognise write-downs pursuant to IAS 36), adjusted to take into account any restatements of the lease liability.
Amortisation is calculated based on the asset's useful life, assuming the asset is purchased; otherwise, if earlier, at the end of the lease term.

*Subsequent measurements of the lease liability*
After the start date, the lessee must measure the lease liability:

- by increasing the book value of the liability to include interest on the lease liability calculated using the discount rate;
- by decreasing the book value of the liability to include due payments made;
- by restating the book value to consider new measurements or lease amendments.

*Restatement of the lease liability*
After the start date, the lease liability is restated to take into account changes made to lease payments due, in the event of amendments to:

a. lease term;
b. valuation of a purchase option on the asset;
c. amounts that are expected to be paid as part of a guarantee on the residual value;
d. future payments due as a result of changes in indices or rates used as parameters.

In all cases, the amount is recognised as an adjustment to the asset consisting of the right of use. However, if the book value of the asset consisting of the right of use is reduced to zero and there is an additional

reduction in the valuation of the lease liability, the lessee must recognise in the income statement any residual amount of the restatement.
Nonetheless, in cases a) and b), the lessee restates the discount rate based on the new cash flow profile for the remaining lease term, if this rate can be easily determined or the lessee's marginal borrowing rate at the restatement date.
In cases c) and d), the lessee restates the payments due for the remaining lease term using the same discount rate applied initially, unless the change in payments due results from a change in variable rates. In this case, the lessee must use a revised discount rate that takes into account changes in the interest rate.

*Sale and lease-back transactions*
In the case of assets sold by the Group and subsequently leased back, the asset consisting of the right of use deriving from the lease back is measured based on the percentage of the previous book value of the right-of-use asset maintained by the seller/lessee, recognising in the income statement only the amount of profits or losses that refer to the rights transferred to the buyer/lessor.
If the fair value of the consideration for the sale of the asset is not equivalent to the fair value of the asset or if the lease payments due are not at market prices, the following adjustments are made to measure the proceeds of the sale at fair value:
- conditions lower than market prices are recognised as an advance payment of lease payments due; and
- conditions above market prices are recognised as a supplemental loan provided by the buyer/lessor to the seller/lessee.

**Investments accounted for using the equity method (IAS 28)**

Associates

The item includes interests held in:
- associates, recorded according to the equity method. Companies in which at least 20% of voting rights are held and investments which ensure influence over governance are considered associates;
- jointly controlled companies, also recorded according to the equity method;
- other minor investments, maintained at cost.

Investments in associates are measured according to the equity method, determined on the basis of the IFRS. According to said method, investments in associates are recognised in the statement of financial position at cost, adjusted for changes following the acquisition in the net assets of the associates, net of any impairment of the individual investments. The excess of the acquisition cost over the Group’s percentage of the present value of the identifiable assets, liabilities and contingent liabilities of the associate at the acquisition date is recognised as implicit goodwill.
If the acquisition cost is lower than the Group’s percentage of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate at the acquisition date, the value is credited to the income statement in the year of the acquisition. With reference to transactions which take place between a Group company and an associate, unrealised profits and losses are eliminated to the extent of the Group’s percentage interest in the associate, with the exception of the cases in which unrealised losses constitute evidence of impairment of the transferred asset.
If there is evidence that the value of an investment has been impaired, the recoverable value of said investment is estimated, taking into account the present value of future cash flows that the investment may generate, including the final disposal value of the investment.
If the recoverable value is lower than the book value the relative difference is booked to the income statement. If the reasons for the impairment no longer exist following an event that occurred after the recognition of the impairment, reversals of the impairment losses are booked to the income statement.

Companies subject to joint control

IFRS 11, in force from 1 January 2014, replaces IAS 31, - Interests in joint ventures -, and SIC 13, - Jointly Controlled Entities - Non-monetary Contributions by Venturers -, and eliminated the possibility of adopting the proportional consolidation method, imposing the move to the equity method for consolidating jointly controlled entities.

**Financial assets (IAS 32 and IFRS 9)**

On initial recognition, a financial asset can be classified as:

(i) an asset measured at amortised cost – “Hold to Collect”,

(ii) an asset measured at fair value with recognition in the income statement – “Trading/Other” and lastly,

(iii) an asset measured at fair value with recognition in shareholder’s equity – “Hold to Collect & Sell”.

The Group's classification is based on the entity's business model for managing financial assets and on the characteristics of contractual cash flows of financial assets.

With reference to the business model, this is determined by the Company for accounting purposes, in order to reflect the way in which financial assets are effectively managed to pursue business objectives.

The characteristics of contractual cash flows are verified through the SPPI test ("Solely Payments of Principal and Interest on the principal amount outstanding"), introduced by the new accounting standard IFRS 9 in order to verify whether a financial asset can be considered a "basic credit agreement" and therefore the contractual cash flows consist exclusively of payments of principal and interest accrued on the amount of principal to be repaid.

**Receivables (assets measured at amortised cost)**

A receivable shall be measured at amortised cost if both of the following conditions are met and it is not designated to FVTPL:

- the financial asset is held within the framework of a business model whose objective is the possession of financial assets aimed at collecting the relative contractual cash flows; and
- the contractual terms of the financial asset provide for cash flows on specific dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

Loans and receivables are initially recognised when the right to receive the payment of the contractually agreed sums is acquired and, therefore, at the time of the disbursement. The initial book value coincides with the fair value of the asset, normally equal to the amount disbursed, including costs/income directly attributable to the individual instrument and determinable from the origin of the transaction, even if settled at a later date. Trade receivables without a significant loan component are initially measured at transaction price, as an exception to the general principle of initial recognition at fair value.

Following initial recognition, receivables are valued at amortised cost, equal to the initial recognition value, net of principal repayments, increased or decreased by impairment losses or reversal of impairment losses and amortisation calculated using the effective interest rate method.
The effective interest rate is the rate that matches the present value of the future cash flows of the receivable, for principal and interest, to the amount disbursed, including costs/income attributable directly to the receivable.

The amortised cost is reduced by impairment losses. Interest income, exchange gains and losses and impairment losses are recognised in the profit/(loss) for the period as are any gains or losses on derecognition.

Loans and receivables are derecognised from assets only if (i) the contractual rights to the cash flows deriving from the financial assets expire or (ii) the Group transfers all risks and rewards related to the financial assets.
If it is not possible to ascertain the substantial transfer of the risks and rewards, the receivables are derecognised in the event no type of control is retained over said loans and receivables. In the opposite case, the maintenance of control, including partial, involves the retention of the loans and receivables in the financial statements to the extent of the Group’s continuing involvement. The value of the continuing involvement in the transferred receivables corresponds to the extent to which the Group is exposed to a change in the value of said receivables.

Depending on their nature and expiry, loans and receivables are classified into the following items:

- financial receivables;
- sundry receivables and other assets.

Where, at the time of the recognition, the collectability of the loans and receivables is contractually established as after one year, these are classified under "non-current" assets. Loans and receivables falling due within one year are classified under "current" assets.

**Other financial assets - assets measured at FVOCI**

A financial asset shall be measured at FVOCI if both of the following conditions are met and it is not designated to FVTPL:

- the financial asset is held within the framework of a business model whose objective is achieved both by the collection of contractual cash flows and by the sale of financial assets; and
- the contractual terms of the financial asset provide for cash flows on specific dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

On initial recognition of an equity instrument not held for trading purposes, the Group may make an irrevocable decision to present subsequent changes in fair value in other components of the statement of comprehensive income. This decision is made for each investment.

Financial assets are initially recognised at the settlement date. The initial measurement is at fair value, to which are added the transaction costs directly attributable to the acquisition of the financial asset.

This category of financial assets is subsequently measured at fair value:

- for debt securities, interest income calculated under the effective interest method, exchange gains and losses and impairment losses are recognised in the profit/(loss) for the period. Other net profits and losses are recognised in other components of the statement of comprehensive income. On derecognition, gains and losses accumulated in other components of the statement of comprehensive income are reclassified to profit/(loss) for the period;
- for equities, dividends are recognised in profit/(loss) for the period unless they clearly represent a recovery of part of the investment cost. Other net profits and losses are recognised in other components of the statement of comprehensive income and are never reclassified to profit/(loss) for the period.

For the determination of the fair value, a three-level hierarchy is envisaged:

1) Listing on an active market, not adjusted. An active market is one where prices, which reflect normal market transactions, are quickly and regularly available via Stock Markets, Brokers, Intermediaries, Sector companies, Listing services or authorised entities and express the price of actual, adequate, continuous and regular market transactions that occur within a normal reference period.
2) Recognition of the fair value through components observable directly or indirectly on a listed market. In the event that the components used contain elements not observable directly on the market and/or adjusted, the significance of the same is established with respect to the fair value to define whether said fair value can be considered second or third level.
3) The use of estimate methods and evaluation models commonly adopted by the international financial community which take account of the specific characteristics of the instrument to be evaluated, with particular focus on the different types of risk associated with it and simultaneously use values not taken from the market and involve estimates and assumptions.

Based on the time frame for sale (within or beyond twelve months from the reporting date), financial assets belonging to this category are classified under "Other financial assets" in current or non-current assets.

Financial assets are derecognised when the contractual rights to the cash flows derived from said assets expire or when the financial asset is sold, transferring substantially all related risks and rewards.

**Other financial assets – assets measured at FVTPL**

All financial assets not classified as measured at amortised cost or at FVOCI, as indicated above, are measured at FVTPL. All derivative financial instruments are included. On initial recognition, the Group may irrevocably designate the financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise result from measuring the financial asset at amortised cost or at FVOCI.

Financial assets are initially recognised at the settlement date. Initial measurement is at fair value.

Subsequent measurement is at fair value. Net profits and losses, including dividends or interest received, are recognised in profit/(loss) for the period.

For a distinction between the levels of the fair value hierarchy, reference should be made to the information provided above in relation to assets measured at FVOCI.

Financial assets are derecognised when the contractual rights to the cash flows derived from said assets expire or when the financial asset is sold, transferring substantially all related risks and rewards.

**Cash and cash equivalents (IAS 7, IAS 32 and IFRS 9)**

Cash and cash equivalents include bank and postal deposits, cash in hand and other forms of short-term investment, originally expiring in three months or earlier. Bank overdrafts are classified under financial payables in current liabilities. Elements included under cash and cash equivalents are measured at fair value and the associated changes are booked to the income statement.

**Inventories (IAS 2)**

*Property inventories*

Property inventories are composed of land, properties under construction-renovation and properties completed for sale.
The initial recognition of inventories of completed properties held for sale occurs at the moment costs are incurred which are directly attributable to the order under construction. At the time of initial recognition, property inventories are measured at cost, increased by incremental expenses and the capitalisable financial expenses incurred.
The release of property inventories to the income statement takes place proportionally and at the same time as the transfer of the properties or parts of them.
During the initial phases of the order, given no sales have been verified, revenue is recognised under changes in inventories up to the limits of the costs incurred which is expected to be recovered. At the time of the transfer of the properties or parts of them, the actual order costs are recorded (incurred and estimated) by thousandths transferred, with the release of the property inventories to the income statement, under variations in inventories. It is only at this moment that the order profit or loss can be determined, in proportion to the part transferred.

Following initial recognition, property inventories held for sale continue to be measured at the lower of the cost (increased by incremental expenses and the financial expenses, to the extent that they can be capitalised) and the market value based on transactions involving similar properties in terms of area and type, and adequately adjusted to represent the prospects and timing of actual disinvestment.
Properties under construction and/or undergoing renovation are measured at the lower of the cost, increased by incremental expenses, of capitalisable financial expenses and the corresponding estimated realisable value.

*Inventories of raw materials, goods, semi-finished and finished products*

Inventories of raw materials, goods, semi-finished and finished products are measured at the lower of cost and net realisable value. The measurement of inventories at cost includes the direct costs of materials and labour and indirect costs (variable and fixed). The cost of inventories of replaceable goods is allocated using the FIFO (first in, first out) method or the weighted average cost method. Simplified costing techniques for inventories, such as the standard cost method, may be used for convenience if the results approximate the cost. The Group uses the same cost determination method for all inventories with a similar nature and use. For inventories with a different nature or use, different methods for measuring cost may be justified. Provisions for write-downs are calculated for all inventories considered obsolete or slow-moving, taking into account their expected future use and realisable value. The realisable value represents the estimated selling price in the ordinary course of business, net of all the estimated costs for the completion of the good and the selling and distribution costs that will be incurred.

**Assets and liabilities held for sale and discontinued operations (IFRS 5)**

Assets and liabilities held for sale and discontinued operations are classified as such if their book value will be recovered mainly through sale rather than continuous use.
These conditions are considered to be met at the moment in which the sale or discontinuity of the disposal group are considered highly likely and assets and liabilities are immediately available for sale in the conditions in which they are found.
When the Group is involved in a disposal plan which involves the loss of control of an investee, all assets and liabilities of said investee are classified as held for sale when the above conditions are satisfied, also in the case in which, after the disposal, the Group continues to hold a non-controlling interest in the subsidiary.
Assets held for sale are measured at the lower of their net book value and the fair value less costs to sell.

Non-current assets held for disposal, disposal groups and discontinued operations whose book value will be recovered mainly through sale rather than continuous use, are measured at the lower of their net book value and the fair value less costs to sell.
In particular, a disposal group is a collection of directly related assets and liabilities held for disposal as part of a single transaction.
Discontinued operations are, by contrast, comprised of a significant component of the group, e.g. an important autonomous business unit or geographic business area or a subsidiary acquired on the exclusive basis of a resale.
In compliance with IFRS, the data relating to non-current assets held for disposal, disposal groups and discontinued operations are presented in two specific items of the Statement of Financial Position: assets held for sale and liabilities directly associated with assets held for sale.
Non-current assets held for sale are not subject to amortisation/depreciation and are measured at the lower of their book value and associated fair value, less costs to sell; any difference between the book value and the fair value less costs to sell is charged to the income statement as a write-down.
With exclusive reference to any discontinued operations, the net economic results achieved by them pending disposal, capital gains/losses deriving from said disposal and the corresponding comparative data of the previous year/period are presented in a specific item of the Income Statement: net profit (loss) from discontinued operations/assets held for sale.
By contrast, as regards capital gains/losses recorded as a result of measurement at fair value less costs to sell or from the disposal of non-current assets (or disposal groups) classified as “held for sale” pursuant to IFRS 5, a specific item was created in the income statement called “Profit (loss) from non-recurring transactions” included in the operating result, as better described in the previous paragraph of the financial statements.

**Derecognition of financial assets and liabilities**

*Financial assets:*

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised from the financial statements when:
- the rights to receive the cash flows from the asset expire;
- the Group retains the right to receive the cash flows of the asset, but assumes a contractual obligation to pay the cash flows in full and without delay to a third party;
- the Group has transferred the right to receive the cash flows from the asset and (a) has transferred substantially all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

In cases where the Group has transferred the rights to receive the cash flows from an asset and has neither transferred nor substantially retained all the risks and rewards or has not lost control of the asset, the asset is recognised in the Group’s financial statements to the extent of its continuing involvement in the financial asset. Continuing involvement which takes the form of guaranteeing the transferred asset is measured at the lower of the initial book value of the asset and the maximum amount of the consideration that the Group could be required to repay.

*Financial liabilities:*

A financial liability is derecognised from the financial statements when the obligation underlying the liability is extinguished, cancelled or fulfilled.

**Payables and Bonds (IAS 32 and IFRS 9)**

These financial liabilities are initially recognised at the time the contract is signed, which coincides with the moment the sums collected are received.
Liabilities are initially recognised on the basis of the fair value, normally equal to the amount collected or the issue price, increased or decreased by additional costs/income directly attributable to the individual funding transaction and not repaid to the creditor. Internal administrative costs are excluded.
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Depending on their nature and expiry, liabilities are classified into the following items:
- bonds;
- financial payables;
- sundry payables and other liabilities.

Where, at the time of the initial recognition, the collectability of the payable is contractually established as after one year, these are classified under "non-current" liabilities. Payables falling due within one year or indeterminate are classified under "current" liabilities.

**Other financial liabilities (IAS 32 and IFRS 9)**

Financial liabilities are initially recognised at the settlement date both for debt securities and for derivative contracts.
Upon initial recognition, financial liabilities held for trading are recorded at their fair value which normally corresponds to the consideration collected without taking into account the transaction costs or income directly attributable to said instrument which are, instead, booked directly in the income statement.
Debt securities and the negative value of derivative contracts (with the exception of those designated as hedging instruments) are classified in this category.
After initial recognition, financial liabilities held for trading are measured at fair value, with the recognition of changes through profit or loss.
For the determination of the fair value of financial instruments listed in an active market, market prices are used. In the absence of an active market, estimates and generally accepted valuation models are used, and which are based on observable market data, such as: methods based on the valuation of listed instruments with similar characteristics, discounting of future cash flows, models for the determination of option prices and values recorded in recent comparable transactions.
Financial liabilities are derecognised when they expire or are extinguished also against purchases of the same securities. The difference between the book value of the liability and the amount paid to acquire it is recorded in the income statement.

**Hedging derivatives (IAS 32 and 39)**

The company's decision to maintain the hedge accounting requirements of IAS 39 pending final approval (not yet completed) of the IFRS 9 pillar that regulates this issue is noted at the outset.

The types of hedging transactions are as follows:
- fair value hedge, aimed at neutralising the exposure to changes in the fair value of a financial statement item;
- cash flow hedge, targeted at neutralising the exposure to changes in the future cash flows attributable to particular types of risks associated with financial statement items.

Hedging derivatives are measured at fair value and recognised in the items "other financial assets" and "other financial liabilities"; in particular:
- for fair value hedging instruments, the rules established by IAS 39 in relation to the provisions for "Fair Value Hedges" are followed. These relate to hedging instruments whose objective is to hedge the exposure to fair value changes of certain financial activities relating to financial assets, deriving, in particular, from risks associated with variability in their value. Profit or loss resulting from remeasurement of the hedging instrument at fair value is recorded in the income statement for a hedging derivative. Profit or loss on the hedged element attributable to the hedged risk adjusts the book value of the hedged element, recorded immediately in the income statement, even if the hedged element is otherwise valued at cost.

- in the case of cash flow hedges, fair value changes are booked to equity for the effective portion of the hedge and to the income statement solely where, with reference to the hedged item, a change occurs in the cash flows to be offset.

The derivative can be considered a hedge if there is formalised documentation on the unique relationship with the hedged element and if this is effective at the time the hedge was entered into and, in prospective terms, throughout the life of the hedge.

A relationship only qualifies as a hedge, and is accounted for accordingly, when all the following conditions are met:
- at the start of the hedge there is formal designation and documentation of the hedge relationship, of the Group's risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective for all reporting periods for which the hedge was designated.

The hedge is considered highly effective if, both at the start and during its life, fair value changes in the monetary amount hedged are almost completely offset by fair value changes in the hedging derivative, i.e. the actual results of the hedge are within a range of 80% - 125%.
The effectiveness of the hedge is initially verified through the prospective test and at the time of preparation of the annual financial statements through the performance of retrospective and prospective tests; the results of said tests justify the application of hedge accounting given that it demonstrates its expected effectiveness.

**Provisions for personnel (IAS 19)**

The employee severance indemnity (TFR) is considered a defined benefit plan. Benefits guaranteed to employees are recognised
monthly on an accrual basis and disbursed at the time of termination of employment.
The severance indemnity is accrued on the basis of the seniority reached at the end of the year by each individual employee in compliance with the laws and labour agreements in force at the reporting date. The accrual reflects the actual amount due to employees, based on the seniority accrued and salaries paid, recalculated on the basis of its actuarial value. The actuarial evaluations adopted are the best estimates regarding the variables that determine the final cost of the services after the termination of employment.
For discounting purposes, the Group uses the projected unit credit method which projects future disbursements on the basis of historical statistical analysis and the demographic curve and the financial discounting of these flows on the basis of a market interest rate. Actuarial gains and losses are recognised in the valuation reserve following the adoption of IAS 19 (revised).

**Share-based payment arrangements (IFRS 2)**

As part of the medium/long-term incentive plans, payment arrangements are envisaged for the Chief Executive Officer of Mittel S.p.A. and management with share-based payments on shares representing capital, consisting of the assignment of rights which, subject to the predefined conditions being met and at the end of the last year of the vesting period, offer beneficiaries the right to obtain the cash equivalent or, at the discretion of the Board of Directors, the equivalent in the form of Company’s shares.
In particular, the long-term variable incentive plan is based on the assignment of Stock Appreciation Rights (SARs), the value of which depends on the Mittel S.p.A. share performance. This plan envisages that, subject to predefined conditions being met, the beneficiaries can receive the equivalent in cash or in shares of the increase in value of the Company’s ordinary share.
The fair value of transactions involving share-based payments settled in the form of equity instruments is recognised as a cost in the income statement under personnel costs or service costs as a balancing entry to the related item in equity, proportionally according to the period in which the service is provided and in consideration of the conditions established in the Incentive Plan regulations that offer the Company the option of choosing between cash settlement or the issue of equity instruments.

**Treasury shares (IAS 32)**

Treasury shares in the portfolio are deducted from equity. No profit or loss deriving from the purchase, sale, issue or cancellation of treasury shares is recorded in the income statement. The differences between the purchase and sale prices deriving from said transactions are recorded among equity reserves.

**Business combinations and Goodwill**

A business combination consists of an amalgamation of businesses or separate company activities into a single entity responsible for preparing the financial statements.
The business combination may give rise to a shareholding relationship between the parent company (acquirer) and the subsidiary (acquiree) or may also involve the acquisition of the net assets of another entity, including goodwill.
Business combinations are accounted for using the acquisition method provided by IFRS 3 – Business Combinations. The cost of a business combination identified as the fair value, on the date control is acquired, of the assets transferred, liabilities assumed and equity instruments issued for the purposes of performing the combination, including directly attributable costs, is therefore allocated by recording, at the acquisition date, the fair value of the identifiable assets, liabilities and contingent liabilities in the acquisition that meet the conditions for recognition set out in IFRS 3.
Additional costs in business combination transactions are booked in the income statement in the period in which they are incurred.
Conditional considerations are considered part of the transfer price of the net assets acquired and measured at fair value on the acquisition date. Similarly, if the business combination contract makes provision for the right to the return of certain price components when specified conditions are met, this right is classified by the acquirer as an asset. Any subsequent changes in fair value shall be recognised to adjust the original accounting treatment only if they are caused by additional or better information about this fair value and if they take place within 12 months from the acquisition date; all other changes shall be recognised in the income statement.
The goodwill resulting from the acquisition is to be allocated to cash generating units (CGUs) into which business combination activities are separated, as the goodwill is not able to generate cash flows autonomously. International accounting standard IAS 36 states that any CGU or group of CGUs to which goodwill can be allocated must represent the lower level at which the company controls the goodwill for management purposes and may not, in any case, be higher than a segment for which the company presents information disaggregated in accordance with IFRS 8 'Operating Segments'.

Any positive difference between the cost of the acquisition and the Group's share of the fair value of the acquired identifiable assets, liabilities or contingent liabilities is recorded as goodwill. If the difference is negative, it is booked directly in the Income Statement.
Non-controlling interests in the acquiree are initially measured to the extent of their share of the present values of the assets, liabilities and contingent liabilities recorded.
If a business combination is realised in several phases with subsequent purchases of shares, each phase is measured separately using the cost and information relating to the fair value of the assets, liabilities and contingent liabilities at the date of each transaction to determine the amount of any difference.
The initial allocation to the above assets and liabilities, by availing of the option provided by IFRS 3, may be determined provisionally before the end of the year in which the transaction was carried out, and it is possible to record the adjustment to the values assigned provisionally in the initial accounting within 12 months from the date of the acquisition of control.
Following initial recognition, goodwill is measured at cost less any accumulated amortisation. Goodwill always relates to the profit-generating activities identified, whose income and cash-flow generating capacity is constantly monitored for the purposes of impairment testing.
In the case of an acquisition of a subsidiary in phases, the non-controlling interest held previously, up until that moment accounted for in accordance with IFRS 9 (for non-qualified interests) or according to IAS 28 - Investments in Associates and Joint Ventures, is treated as if it had been sold and re-acquired on the date on which control was acquired. This investment is therefore measured at its fair value at the "transfer" date and the profits and losses resulting from the measurement are recorded in the income statement. In addition, each value previously recorded in equity as Other comprehensive profit and loss, booked in the income statement following the transfer of the asset to which it refers, is reclassified in the income statement. Goodwill or income (in the case of badwill) deriving from business concluded with subsequent acquisition is determined as the sum of the price paid to obtain control, the value of non-controlling interests (measured according to one of the methods permitted by the standard), the fair value of the non-controlling interest held previously, net of the fair value of the net identifiable assets acquired.

Accounting of the acquisition of additional investments in companies already controlled are considered transactions with owners and, therefore, the differences between the acquisition costs and the book value of the non-controlling shares acquired are booked to equity pertaining to the Group.
Similarly, sales of non-controlling shares without the loss of control do not generate profits/losses in the income statement, but changes in equity pertaining to the Group.

**Income taxes (IAS 12)**

The effects relating to current and deferred taxes calculated in compliance with national tax legislation based on the accruals principle are recognised, consistently with the methods of recognition in the financial statements of the costs and revenue that generated them, by applying the applicable tax rates.
Income taxes are recorded in the income statement, with the exception of those relating to items debited from or credited directly to equity.
The provision for income taxes is determined on the basis of a prudential forecast of current and deferred tax assets and liabilities.
In particular, current taxes include the net balance of current liabilities in the year and current tax assets represented by payments on account and other tax credits for withholding tax.
Deferred tax assets and liabilities are determined on the basis of temporary differences - with no time limits - between the carrying amount of an asset or a liability and their tax base.
Deferred tax assets are recognised in the financial statements to the extent they are likely to be recovered, measured on the basis of the capacity of the relevant company or group of companies, due to exercise of the “tax consolidation” option, to generate taxable profit on an ongoing basis.
Deferred tax assets and liabilities are accounted for at equity level by carrying out offsets at said tax level and for each year by taking into account the time profile of expected repayment.
In years in which the deductible temporary differences are higher than the taxable temporary differences, the associated deferred tax assets are recorded under assets in the statement of financial position, in the item deferred tax assets. By contrast, in years in which the taxable temporary differences are higher than the deductible temporary differences, the associated deferred tax liabilities are recorded under liabilities in the statement of financial position, in the item deferred tax liabilities.
Deferred tax assets and liabilities are systematically measured to take account of any changes to the regulations or the tax rates and any different subjective situations of Group companies. In addition to the allocation of current and deferred taxes, the Group monitors, in line with IAS 37, any risks that may result from tax assessments already announced or, in any case, ongoing disputes with the tax authorities.

**Provisions for risks and charges (IAS 37)**

Accruals to the provision for risks and charges are made exclusively when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required in order to fulfil the obligation;
- the amount of the obligation can be reliably estimated.

Where the time factor is significant, the provisions are discounted. The allocation to the provision is recorded in the income statement. Interest expense accrued on provisions that have been discounted is also recorded in the income statement.
“Other provisions” include allocations to cover presumed losses on legal proceedings in which the company is the defendant and any claw-back claims; estimated disbursements for customer complaints relating to activities; other estimated disbursements in respect of existing legal or constructive obligations at the reporting date.

**Revenue recognition (IFRS 15)**

*Sales of products and services*

Revenue from the sale of products or services is recognised when the commitments laid down in the relative contracts are met. In particular, the following fundamental steps are required for the recognition of revenue:

- identification of the contract with the customer;
- identification of the contract’s performance obligations;

- pricing;
- allocation of the price to the contract's performance obligations;
- revenue recognition when the entity satisfies every performance obligation.

A contract is an agreement between two or more parties that creates enforceable rights and obligations. The enforceability of rights and obligations in the contract shall be governed by the law. The contract may be written, oral or implied from the entity's usual commercial practices.

At the initiation of the contract, the goods or services promised in the contract agreed with the customer are valued and a performance obligation is promised to transfer to the customer:

- a distinct good or service (or combination of goods and services), or
- a set of distinct goods or services which are substantially similar and follow the same pattern of transfer to the customer.

In determining the transaction price, account shall be taken of the terms of the contract and its usual commercial practices. The transaction price is the amount of consideration the entity believes it is entitled to in exchange for the transfer of the promised goods or services to the customer, excluding amounts collected on behalf of others (e.g., sales taxes). The consideration promised in the contract with the customer may include fixed amounts, variable amounts or both. To estimate the amount of the variable consideration, the Group assesses the use of one of the following two methods, from time to time choosing the method that makes it possible to better predict the amount of consideration to which it will be entitled:

- the expected value, which is the sum of the amounts weighted by probability within a range of possible consideration amounts;
- the most probable amount, being the most probable amount within a range of possible consideration amounts (i.e. the most probable outcome of the contract).

The transaction price includes all or part of the variable consideration only to the extent that it is highly probable that when the uncertainty associated with the variable consideration is subsequently resolved, there will be no significant downward adjustment to the amount of the accumulated revenue recognised.
In determining the transaction price, the entity shall adjust the promised amount of the consideration to take account of the effects of the time value of money if the payment terms agreed by the parties to the contract (explicitly or implicitly) offer the customer or entity a significant benefit in terms of financing the transfer of the goods or services to the customer. In this case, the contract contains a significant financing component.

For the purposes of allocating the transaction price, each performance obligation (or each separate good or service) is attributed an amount that reflects the consideration amount to which the entity expects to be entitled, in return for the transfer of the promised goods or services to the customer. In order to achieve the objective of the allocation, the transaction price is allocated, if necessary, between each of the commitments identified in the contract on the basis of the related stand-alone selling price.

Revenue is recognised when (or as) the performance obligation is met by transferring the promised good or service (i.e. the asset) to the customer. The asset is transferred when (or as) the customer acquires control of it. Control of the good or service is transferred over time, and therefore fulfils the performance obligation and revenue is recognised over time, if one of the following criteria is met:

- the customer simultaneously receives and uses the benefits deriving from the Group's services as they are provided;
- the Group's performance creates or improves the asset (for example, work in progress) that the customer controls as the asset is created or improved; or
- the Group's performance does not create an asset that presents an alternative use for the Group.

For every performance obligation fulfilled over time, the Group recognises revenue over time, evaluating progress towards complete fulfilment of the performance obligation.

*Interest*

Interest is recognised on a pro-rata temporis basis, based on the contractual interest rate or the effective interest rate in the case of application of the amortised cost method.

*Dividends*

Dividends are recorded at the time the right to collection arises, which normally corresponds to the shareholders' meeting resolution on the distribution of dividends.

**Earnings per share (IAS 33)**

Basic earnings per share are determined on the basis of the ratio of profit for the period attributable to Shareholders of the Parent Company's ordinary shares to the weighted average number of ordinary shares outstanding in the period.
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to take account of all potential ordinary shares, deriving, for example, from the possibility of exercising stock options assigned, which may have a dilutive effect.

**Use of estimates**

Preparation of the financial statements and the notes using IFRS requires management to use estimates and assumptions that affect the carrying amount of recognised assets and liabilities and information relating to the contingent assets and liabilities.
The estimates and assumptions used are based on experience and other factors considered relevant. The actual results may, therefore, differ from said estimates. The estimates and assumptions are reviewed periodically and the effects of each change made to them are reflected in the income statement in the period in which the estimate revision takes place if said revision only has an impact on said period, or also in subsequent periods if the revision has an effect on both the current period and future periods.
The main items in the financial statements affected by this estimation process are goodwill, deferred taxes, the fair value of financial instruments and the provision for risks and charges.
Please refer to the specific areas for more details.

**Main sources of uncertainty in making financial statement estimates**

The critical valuation processes and key assumptions used by the Group in the IAS/IFRS application process are summarised below.

**Discretional choices in the accounting standard application process**

*Impairment losses - receivables and other financial assets*

Following the first-time adoption of IFRS 9, the Group applies the expected credit loss (ECL) model in accordance with the new standard, replacing the incurred loss model in accordance with IAS 39.
The new impairment loss model applies to financial assets measured at amortised cost or at FVOCI, with the exception of equities and assets arising from contracts with customers. Financial assets measured at amortised cost include financial and trade receivables, cash and cash equivalents and debt securities.

Specifically, the new accounting standard establishes that, for financial assets not measured at fair value through profit or loss, value adjustments are determined on the basis of the expected loss at 12 months and, if a significant increase in credit risk is observed with respect to the date of initial recognition, on the basis of the expected loss determined over the entire residual life of the financial instrument. On the basis of these elements, financial assets are divided into three stages:

- stage 1 includes performing financial instruments for which there has been no significant increase in credit risk since the date of initial recognition. A 12-month ECL is then calculated, namely the ECL that results from a possible default over a 12-month period from the end of the reporting period;
- stage 2 includes performing financial instruments for which there has been a significant increase in credit risk since the date of initial recognition. In this case, so-called "lifetime" ECLs will be applied, i.e. ECLs resulting from all possible defaults over the expected life of a financial instrument;
- stage 3 includes non-performing financial instruments. The measurement will be determined analytically on the basis of the loss calculated on the residual life of the instrument.

For further information on the method used to apply the expected loss model in the impairment process, reference should be made to paragraph (2.4) dedicated to the first-time adoption of IFRS 9.

*Recoverable value of non-current assets (including goodwill)*

Non-current assets include property, plant and equipment and intangible assets (including goodwill), equity investments and other financial assets. Management periodically reviews the book value of the non-current assets held and used and the assets which must be disposed of, when facts and circumstances require said revision. This activity is performed by using estimates of expected future cash flows from the use or sale of the asset and adequate discount rates for the calculation of the present value. When the book value of a non-current asset has undergone impairment, the Group records a write-down for the value of the excess of the book value of the asset over its recoverable value through use or sale of the same, determined with reference to the Group's more recent plans.

*Realisability of deferred tax assets*

The Group records the deferred tax assets up to the value for which it deems their recovery likely, also taking into account a further worsening in the assumptions envisaged over a medium-term period and the fact that the net deferred tax assets allocated refer to temporary differences/tax losses which can be recovered.
The forecasts are based on taxable income that can be generated with reasonable certainty in light of budget results and the forecasts for subsequent years which consider the reasonable expectation of implementation of the planned transactions.
For further details, please refer to note no. 10.

*Receivables*

For loans and receivables and other assets evaluations are regularly performed in order to verify the existence of objective evidence that these have been impaired. In particular, in measuring receivables, account is taken of creditor solvency and of the characteristics of credit risk which is indicative of the individual debtor's payment capacity. Any impairment is recorded as cost in the income statement for the year.
Non-current loans and receivables, trade receivables and other receivables originated by the Group fall into this category. The estimate of the allowance for impairment is based on expected losses by the Group, determined on the basis of past experience with similar receivables, losses and collections.

*Contingent liabilities*

The Group is involved in legal disputes in relation to which, considering the inherent uncertainties, it is difficult to predict with any certainty the disbursement involved with these disputes. Legal proceedings and disputes derive from complex legal problems, which are subject to a different degree of uncertainty, including facts and circumstances concerning each case. The Group identifies a liability in respect of these disputes when it believes that the dispute will result in a cash outlay and when the amount of the resulting losses can be reasonably estimated. In the event in which a financial outlay becomes possible but the amount cannot be determined, this is reported in the explanatory notes.

*Leases*

The transition to IFRS 16 introduced certain elements of professional discretion that involve the definition of some accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate.
The main discretionary elements are summarised as follows:

- lease duration: the duration was determined based on the individual contract and is composed of the "non-cancellable" term, together with the effects of any extension or early termination clauses whose exercise was deemed reasonably certain and taking into account the contract's clauses; specifically, for fixed assets, this measurement considered the facts and specific circumstances for each asset;
- discount rate (incremental borrowing rate): in most lease contracts stipulated by the Group, there is no implicit interest rate, hence the discount rate to be applied to future lease payments was calculated as the risk-free rate, with maturities corresponding to the duration of the specific lease contract, increased by the specific credit spread of the Parent Company (inferred from the main borrowing agreements that the Parent Company negotiated for the Group) and any costs for additional guarantees.

**Changes in accounting estimates**

Pursuant to IAS 8, changes in accounting estimates are booked prospectively in the income statement starting from the year in which they are adopted. It should be noted that the period 1 January 2019 – 30 June

2019 was not characterised by changes to the estimation criteria that was already applied to draft the financial statements as at 31 December 2018.

**Changes in IFRS, amendments and interpretations**

**Standards, amendments and interpretations in force from 1 January 2019**

The following IFRS standards, amendments and interpretations were applied for the first time by the Group from 1 January 2019:

- On 13 January 2016, the IASB published IFRS 16 - Leases, which is due to replace IAS 17 - Leases as well as IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
  The standard provides a new definition of “lease” and introduces a criterion based on the concept of control (right of use) of an asset to distinguish lease contracts from service contracts, identifying the following factors as distinguishing leases: identification of the asset, the right to replace the asset, the right to essentially obtain all economic benefits from use of the asset, and finally, the right to direct the use of the asset underlying the contract.
  The standard establishes a single model for the recognition and measurement of lease contracts for the lessee, envisaging recognition of the asset covered by the lease (including operating leases) under assets with a balancing entry of a financial payable. Conversely, the standard does not include significant changes for lessors.
  Given the significance of the impacts from the first application of the new standard, please refer to the detailed analysis carried out in the specific relevant paragraph in these notes (paragraph 2.4).

- On 12 October 2017, IASB published an amendment to IFRS 9 - “Prepayment Features with Negative Compensation”. This document specifies that instruments providing for early repayment could comply with the “SPPI” test (Solely Payments of Principal and Interest), even in the event that the reasonable additional compensation to be paid in the event of early repayment is a negative compensation for the lender. The adoption of these amendments had no effect on the Group’s consolidated financial statements.

- On 7 June 2017, the IASB published the interpretation “Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)”. The interpretation addresses the issue of uncertainties as regards the tax treatment to be adopted in relation to income taxes. In particular, the interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on the characteristics), always assuming that the tax authority reviews the tax position in question, having full knowledge of all relevant information. In the case in which the entity deems that it is not likely that the tax authority will accept the tax treatment applied, the entity must reflect the effect of uncertainty in the measurement of its current and deferred income taxes. In addition, the document does not contain any new disclosure requirements but stresses that the entity will need to determine whether it will be required to disclose management's considerations concerning the uncertainty inherent in tax accounting in accordance with IAS 1.
  This new interpretation is applicable from 1 January 2019. The adoption of these amendments had no effect on the Group’s consolidated financial statements.

- On 12 December 2017, IASB published the document “Annual Improvements to IFRSs 2015-2017 Cycle”, which incorporates amendments to a number of standards as part of the annual improvements process. The main amendments refer to:
  - IFRS 3 - “Business Combinations” and IFRS 11 - “Joint Arrangements”: the amendment clarifies that, at the moment in which an entity obtains control of a business that represents a joint operation, it must remeasure the shareholding previously owned in said business. However, this process is not required in the event that joint control is obtained.
  - IAS 12 - “Income Taxes”: the amendment clarifies that all tax effects connected with dividends (including payments on financial instruments classified within equity) should be recognised in a manner that is consistent with the transaction that generated these profits (income statement, OCI, or equity).
  - IAS 23 - “Borrowing Costs”: the amendment clarifies that if there are loans that remain in place even after the relevant qualifying assets were ready for use or sale, they become part of the total loans used to calculate borrowing costs.

  The adoption of these amendments had no effect on the Group’s consolidated financial statements.

- On 7 February 2018, IASB published the document "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)". The document clarifies how an entity should recognise an amendment (i.e. a curtailment or settlement) of a defined benefit plan. The changes require an entity to update its assumptions and remeasure the net liability or asset arising from the plan. The amendments clarify that after such an event, an entity uses updated assumptions to measure current service cost and interest for the remainder of the reporting period following the event. The adoption of these amendments had no effect on the Group's consolidated financial statements.

- On 12 October 2017, IAS published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the need to apply IFRS 9, including the requirements related to impairment, to other long-term interests in associates and joint ventures to which the equity method is not applied. The adoption of these amendments had no effect on the Group's consolidated financial statements.

**IFRS and IFRIC standards, amendments and interpretations not yet endorsed by the European Union**

As at the date of this report, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the standards and amendments described below.

- On 18 May 2017, the IASB published IFRS 17 - "Insurance Contracts", which is intended to replace IFRS 4 - "Insurance Contracts".
  The objective of the new standard is to ensure that an entity discloses relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to cover all types of insurance contracts, including reinsurance contracts that an insurer holds.
  Moreover, the new standard includes requirements for presentation and disclosure to improve comparability between entities belonging to this sector.
  The new standard measures an insurance contract based on a General Model, or a simplified version of said model known as the Premium Allocation Approach ("PAA").
  The primary characteristics of the General Model are:
    - the estimates and assumptions for future cash flows are always the most current;
    - the measurement reflects the time value of money;
    - the estimates envisage an extensive use of information observable on the market;
    - there is a current and explicit measurement of risk;
    - the expected profit is deferred and aggregated in groups of insurance contracts upon initial recognition; and
    - the expected profit is recognised in the contractual period of coverage, taking into consideration adjustments resulting from changes in assumptions regarding cash flows relative to each group of contracts.

  The PAA approach envisages the measurement of the liability for the residual coverage of a group of insurance contracts provided that, upon initial recognition, the entity expects that the liability is a reasonable approximation of the General Model. Contracts with a coverage period of one year or less are automatically suitable for the PAA approach. The simplifications deriving from the application of the PAA method do not apply to the measurement of liabilities for outstanding claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance will be paid or collected within one year of the date on which the claim was made.
  The entity must apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).
  The standard is applicable from 1 January 2021, but early application is permitted, solely for entities that apply IFRS 9 - "Financial Instruments" and IFRS 15 - "Revenue from Contracts with Customers". The directors do not expect the adoption of this standard to have a significant effect on the Group's consolidated financial statements.

- On 22 October 2018, IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications regarding the definition of a business for purposes of correctly applying IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to satisfy the definition of

a business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantial process that together contribute significantly to the capacity to create output. For this reason, IASB has replaced the term “capacity to create output” with “capacity to contribute to the creation of outputs”, to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.
The amendment also introduced a "concentration test", which is optional for the entity, to determine whether a set of acquired activities/processes and assets is not a business. If the test has a positive result, the set of acquired activities/processes and assets does not constitute a business and the standard does not require further testing. In the event that the test has a negative result, the entity must perform additional analyses on the acquired activities/processes and assets to identify whether it constitutes a business. For this purpose, the amendment has added several illustrative examples to IFRS 3 in order to provide clarification on the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets subsequent to 1 January 2020, but early application is permitted.
The directors do not expect the adoption of this amendment to have any effect on the Group’s consolidated financial statements.

- On 31 October 2018, IASB published the document “Definition of Material (Amendments to IAS 1 and IAS 8)”. The document introduced a change in the definition of “material” contained in IAS 1 - “Presentation of Financial Statements” and IAS 8 - “Accounting Policies, Changes in Accounting Estimates and Errors”. The amendment’s objective is to make the definition of “material” more specific and to introduce the concept of “obscured information” along with the concepts of omitted or incorrect information already present in the two amended standards. The amendment clarifies that information is “obscured” if it has been described in such a way as to generate for the primary readers of the financial statements an effect similar to that which would have been generated if this information had been omitted or incorrect.
The amendments introduced in the document apply to all transactions subsequent to 1 January 2020.
The directors do not expect the adoption of this amendment to have a significant effect on the Group’s consolidated financial statements.

- On 11 September 2014, the IASB published an amendment to IFRS 10 and to IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”. The document was published to solve the current conflict between IAS 28 and IFRS 10.
According to the provision of IAS 28, the gains or losses resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for a percentage of the latter’s share capital is limited to the percentage of ownership in the joint venture or associate by other investors not included in the transaction. Conversely, IFRS 10 requires the recognition of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling interest in the subsidiary, including in this case the sale or contribution of a subsidiary to a joint venture or associate. The amendments introduced provide that, in a sale/contribution of an asset or a subsidiary to a joint venture or associate, the amount of the profit or loss to be recognised in the financial statements of the seller/contributor depends on whether or not the assets or subsidiary company sold/contributed constitute a business, in the definition envisaged by IFRS 3. If the assets or the subsidiary company sold/contributed represent a business, the entity must recognise the gain or loss on the entire shareholding previously owned; if not, the share of gain or loss relating to the shareholding still owned by the entity must be eliminated. At present, the IASB has suspended the application of this amendment. The directors do not expect the adoption of these amendments to have a significant effect on the Group’s consolidated financial statements.

- On 30 January 2014, IASB published the standard IFRS 14 - “Regulatory Deferral Accounts”, which allows only first-time adopters of IFRS to continue recognising amounts related to rate regulation activities in accordance with previously adopted accounting standards. As the Company/Group is not a first-time adopter, this standard does not apply.

**2.4 First-time adoption of IFRS 16 – “Leases”**

**Introduction**

Effective from 1 January 2019, the Group adopted IFRS 16 - “Leases”, which has led to changes in accounting policies and related adjustments to amounts recognised in financial statements.
IFRS 16 provides for the recognition in fixed assets of the “right of use” of leased assets that fall within the standard’s application scope and the recognition in liabilities of the related financial payable.
The comparative figures were not restated, while the data for the period in question is also shown without applying IFRS 16.
Unless otherwise specified, the comparative analyses below refer to the data for the first six months of 2019 without applying IFRS 16.

**Changes in accounting policies**

IFRS 16 - “Leases” replaced the accounting rules contained in IAS 17 as well as the interpretations IFRIC 4 - “Determining whether an Arrangement contains a Lease”, SIC 15 - “Operating Leases - Incentives” and SIC 27 - “Evaluating the Substance of Transactions Involving the Legal Form of a Lease” and was applied beginning on 1 January 2019.
In application of the new standard, on the start date of the lease contract, the lessee must recognise an asset that represents the right of use on the leased asset for the contract’s duration (right-of-use asset) and a liability for future payments that were agreed upon signing of the contract (lease liability). In the income statement, the financial expenses accrued on the lease liability and the amortisation of the right of use on the asset are recorded separately.
The principle allows two exemptions in applying the model: lease contracts for “low-value” assets and short-term lease contracts.

**Scope of application**

The contracts that fall within the standard’s scope of application for Mittel Group mainly relate to the rental of buildings used for manufacturing activities, buildings used to provide residential nursing care, and administrative offices, cars and some electronic machinery.

**Transition approach**

For the transition approach, Mittel Group chose the “modified retrospective method”.
Specifically, for leases that were previously classified as operating leases, this method envisages that:

- the lessee must recognise the lease liability at the application date as the present value of the remaining payments due for the lease, discounted using the lessee’s marginal borrowing rate at the date of the initial application;
- the lessee must recognise an asset consisting of the right of use at the initial application date for leases previously classified as operating leases.

As permitted by the standard, Mittel Group has chosen to measure the asset consisting of the right of use at a value equal to the amount of the lease liability recognised in the statement of financial position immediately before the date of the initial application.
The Group also took advantage of the following practical expedients:

- exclusion of initial direct costs from the measurement of the right of use as at 1 January 2019;
- exclusion from application of the standard to low-value assets, such as PCs, printers, and electronic equipment (IFRS 16.5.b).

**First-time adoption of the standard**

The Group has chosen to carry out the First-Time Adoption (FTA) of IFRS 16 using the modified retrospective approach, which includes the option, established by the standard, to recognise the cumulative effect of applying the standard on the first application date and not to restate the comparative figures in the financial statements for the first-time adoption of IFRS 16. Therefore, the figures in the financial schedules relating to 2019 will not be comparable for the measurement of the right of use and the corresponding lease liability.

In particular, the Group recognised, for leases previously categorised as operating leases:

(a) a financial liability, equal to the present value of the future payments remaining at the transition date, discounted for each contract using the incremental borrowing rate applicable at the transition date;
(b) a right of use equal to the value of the financial liability at the transition date, net of any accruals and deferrals related to the lease and recognised in the statement of financial position at the reporting date.

The table below shows the impacts on consolidated equity (including tax effects) from the adoption of IFRS 16 at the transition date:

(Valori in Euro)

| | 01/01/2019 Variazione per adozione IFRS 16 |
|---|---|
| **Attività** | |
| Attività non correnti | |
| Diritti d'uso Terreni e Fabbricati | 128.717 |
| Diritti d'uso Attrezzature | 268 |
| Diritti d'uso Mobili e Macchinario Ufficio | 20 |
| Diritti d'uso Mezzi di trasporto interno | 38 |
| Diritti d'uso Autoveicoli | 103 |
| **Totale** | **129.146** |
| **Patrimonio nettto e Passività** | |
| Passività correnti | |
| Passività finanziarie per lease non correnti | 3.188 |
| Passività non correnti | |
| Passività finanziarie per lease correnti | 131.423 |
| **Totale** | 134.611 |
| **Patrimonio nettto consolidato** | |
| Utili a nuovo | (5.465) |
| **Totale** | **129.146** |

Note that the average weighted incremental borrowing rate applied to financial liabilities recognised as at 1 January 2019 changes from 3% to 4.5%.

In adopting IFRS 16, the Group did not take advantage of the exemption granted by IFRS paragraph 16:5(a) in relation to short-term leases. Similarly, the Group did not take advantage of the exemption granted by IFRS 16:5(b) concerning lease contracts for which the underlying asset is of low value (i.e., assets underlying the lease contract do not exceed EUR 5 thousand, when new).

With reference to leases that were classified as finance leases in application of IAS 17, the Group, again as lessee, has chosen to define, as envisaged by paragraph C11 of IFRS 16, that the book value of the asset consisting of the right of use and the lease liability on the initial application date is comprised of the book value of the leased asset and lease liability, measured immediately before that date by applying IAS 17, i.e., from the statement of financial position value as at 31 December 2018.

With specific reference to property leases, the Group decided to consider for all new contracts (as well as the FTA date) only the first renewal period as reasonably certain, unless there were specific contractual clauses, facts or circumstances that would lead to the inclusion of additional renewals or would result in the termination of the lease.

Furthermore, with reference to transition rules, the Group took advantage of the following practical expedients available if the modified retrospective method is selected for transition:

- use of the assessment made at 31 December 2018 according to the rules of IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets" in relation to the recognition of onerous contracts as an alternative to applying the impairment test on the value of the right of use as at 1 January 2019;
- exclusion of initial direct costs from the measurement of the right of use as at 1 January 2019;

- use of the information available at the transition date to determine the lease term, with particular reference to the exercise of extension options and early termination.

Note that in the Group there are no provisions for onerous leases measured according to IAS 37 and recognised in the financial statements as at 31 December 2018.

**Reconciliation for lease commitments**

In order to better represent any differences between the scope of IAS 17 and the new standard, the following table shows the reconciliation of the two scopes (as required in paragraph C12 of IFRS 16), in particular noting:

- commitments deriving from operating leases presented by applying IAS 17 as at 31 December 2018;
- effect of discounting on operating lease contracts by applying the marginal borrowing rate at the date of initial application, and
- lease liabilities recognised in the statement of financial position at the date of initial application.

For purposes of reconciling lease liabilities as at 1 January 2019, leases that were previously classified as finance leases were included, recognised in accordance with IAS 17 and carried forward.

(Valori in Euro migliaia)

| | **01/01/2019** |
|---|---|
| **Impegni per lease operativi al 31 dicembre 2018** | 208.628 |
| Canoni per short term lease (esenzione) | - |
| Canoni per low-value lease (esenzione) | - |
| Importo non-lease components incluse nella passività | 9 |
| **Passività finanziaria non attualizzata per i lease al 1 gennaio 2019** | **208.637** |
| Effetto attualizzazione | (74.026) |
| **Passività finanziaria aggiuntiva per i lease operative al 1 gennaio 2019** | **134.611** |
| Valore attuale passività per lease finanziari al 31 dicembre 2018 | 6.313 |
| **Passività finanziaria per i lease totale al 1 gennaio 2019** | **140.924** |
| di cui: | |
| Passività correnti | (3.820) |
| Passività non correnti | (137.104) |

## 3. Consolidation scope

The Consolidated Financial Statements include Mittel S.p.A. and its direct and indirect subsidiaries, including in the consolidation scope - as specifically provided for by the IAS/IFRS - also companies operating in business sectors dissimilar to those to which the Parent Company belongs.
The following are considered subsidiaries: companies in which Mittel S.p.A. is exposed to variable returns, or holds rights over said returns, deriving from its relationship with the same and at the same time has the capacity to affect the returns by exercising its power over said entities.
Control only exists when the following elements are simultaneously present:

- power to direct the relevant activities of the investee;
- exposure or the rights to variable returns deriving from the relationship with the investee;
- the ability to use its power over the investee to affect the amount of the investee's returns.

The consolidation scope does not include structured entities for which the requirements of effective control may be met, including regardless of the existence of an equity interest.
Entities in which, on a contractual basis, control is shared between the Parent Company, directly or indirectly, and one or more other entities, or when decisions about the relevant activities require the unanimous consent of the parties sharing control, are considered jointly controlled.
Companies in which Mittel S.p.A., directly or indirectly, holds at least 20% of voting rights (including therein "potential" voting rights) or in which - despite with a lower share of voting rights - has the power to participate in the determination of the financial and management policies by virtue of particular legal links, such as participation in shareholders' agreements, are considered associates, i.e. subject to a significant influence.
A number of interests exceeding 20%, but for a small amount, are excluded from the area of consolidation and classified under available-for-sale assets, given that Mittel S.p.A. directly or indirectly holds exclusive rights to a portion of the profits from the investments, has no access to the management policies and can exercise governance rights limited to the protection of its own equity interests.
Lastly, the consolidation scope excludes non-investee companies for which pledged shares have been received with voting rights exceeding 20%, in consideration of the purpose of said instrument which is the protection of the credit granted and not the exercising of control and management of the financial and economic policies, in order to enjoy the economic benefits deriving from them.

Compared to the situation as at 31 December 2018 the consolidation scope as at 30 June 2019 has undergone the following main changes:

- increase from 85.01% to 99.71% of the interest held by Mittel S.p.A. in Earchimede S.p.A., through various transactions with third-party shareholders in the first quarter of 2019;
- increase from 80% to 90% of the interest held by Mittel Design S.r.l. in Ceramica Cielo S.p.A., through a purchase transaction carried out in June 2019 with the Chief Executive Officer of the investee, sole third-party shareholder, which led to the reduction in his shareholding to 10%;
- acquisition in June 2019 of 100% of the vehicle company PIAM Immobiliare S.r.l. by Gruppo Zaffiro S.r.l. (subsidiary that is 75% owned by Mittel S.p.A.);
- acquisition in June 2019 of 80% of Disegno Ceramica S.r.l. by Mittel Design S.r.l. (subsidiary that is 100% owned by Mittel S.p.A.), which was thoroughly described in the Directors' Report on Operations and below in these notes;
- acquisition in June 2019 of 68.64% of Galassia Group S.r.l. by Mittel Design S.r.l. (subsidiary that is 100% owned by Mittel S.p.A.), which was thoroughly described in the Directors' Report on Operations and below in these notes;

The table below indicates the investments included in the consolidation scope of the consolidated financial statements as at 30 June 2019:

| | Company name | Office / Country | Type of relationship (a) | Consolidation method | Investment relationship | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Participating company | Direct interest % | Direct availability of votes % (b) | Total interest % |
| **Parent Company** | | | | | | | | |
| | Mittel S.p.A. | | | | | | | |
| **A. Companies fully consolidated** | | | | | | | | |
| **Direct subsidiaries:** | | | | | | | | |
| 1 | Mittel Design S.r.l. | Milan | (1) | Full | Mittel S.p.A. | 100,00% | 100,00% | 100,00% |
| 2 | Gruppo Zaffiro S.r.l. | Martignacco (UD) | (1) | Full | Mittel S.p.A. | 75,00% | 75,00% | 75,00% |
| 3 | IMC S.p.A. | Carmagnola (TO) | (1) | Full | Mittel S.p.A. | 75,00% | 75,00% | 75,00% |
| 4 | Mittel Investimenti Immobiliari S.r.l. | Milan | (1) | Full | Mittel S.p.A. | 100,00% | 100,00% | 100,00% |
| 5 | Earchimede S.p.A. | Milan | (1) | Full | Mittel S.p.A. | 99,71% | 99,71% | 99,71% |
| 6 | Mittel Advisory S.r.l. in liquidation | Milan | (1) | Full | Mittel S.p.A. | 100,00% | 100,00% | 100,00% |
| 7 | Markfactor S.r.l. in liquidation | Milan | (1) | Full | Mittel S.p.A. | 100,00% | 100,00% | 100,00% |
| 8 | Curae Group S.r.l. | Milan | (1) | Full | Mittel S.p.A. | 100,00% | 100,00% | 100,00% |
| **Indirect subsidiaries:** | | | | | | | | |
| 9 | Ceramica Cielo S.p.A. | Fabrica di Roma (VT) | (1) | Full | Mittel Design S.r.l. | 90,00% | 90,00% | 90,00% |
| 10 | Disegno Ceramica S.r.l. | Gallese Scalo (VT) | (1) | Full | Mittel Design S.r.l. | 80,00% | 80,00% | 80,00% |
| 11 | Galassia Group S.r.l. | Fabrica di Roma (VT) | (1) | Full | Mittel Design S.r.l. | 68,64% | 68,64% | 68,64% |
| 12 | Galassia S.p.A. | Corchiano (VT) | (1) | Full | Galassia Group S.r.l. | 100,00% | 100,00% | 68,64% |
| 13 | Galassia Hispania S.a.u. | Grinon (Madrid) | (1) | Full | Galassia S.p.A. | 100,00% | 100,00% | 68,64% |
| 14 | Balder S.r.l. | Ancona | (1) | Full | IMC S.p.A. | 100,00% | 100,00% | 75,00% |
| 15 | Zaffiro Ancona S.r.l. | Ancona | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 16 | Zaffiro Ancona Uno S.r.l. | Ancona | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 17 | Zaffiro Fagagna S.r.l. | Martignacco (UD) | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 18 | Zaffiro Fermo S.r.l. | Ancona | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 19 | Zaffiro Magnano S.r.l. | Magnano in Riviera (UD) | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 20 | Zaffiro Martignacco S.r.l. | Martignacco (UD) | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 21 | Zaffiro Montesicuro S.r.l. | Ancona | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 22 | Zaffiro Rivignano S.r.l. | Magnano in Riviera (UD) | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 23 | Zaffiro San Lorenzo S.r.l. | San Lorenzo in Campo (PU) | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 24 | Zaffiro Sviluppo S.r.l. | Magnano in Riviera (UD) | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 25 | Zaffiro Tarcento S.r.l. | Tarcento (UD) | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 26 | Zaffiro Urbania S.r.l. | Magnano in Riviera (UD) | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 27 | Zaffiro Sanremo S.r.l. | Magnano in Riviera (UD) | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 28 | Zaffiro Costruzioni S.r.l. | Martignacco (UD) | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 29 | PIAM Immobiliare S.r.l. | | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 30 | Zaffiro Firenze S.r.l. | Martignacco (UD) | (1) | Full | Gruppo Zaffiro S.r.l. | 100,00% | 100,00% | 75,00% |
| 31 | Villa Gisella S.r.l. | Florence | (1) | Full | Zaffiro Firenze S.r.l. | 100,00% | 100,00% | 75,00% |
| 32 | Gamma Tre S.r.l. | Milan | (1) | Full | Mittel Investimenti Immobiliari S.r.l. | 100,00% | 100,00% | 100,00% |
| 33 | Lucianita S.r.l. in liquidation | Milan | (1) | Full | Mittel Investimenti Immobiliari S.r.l. | 100,00% | 100,00% | 100,00% |
| 34 | MiVa S.r.l. | Milan | (1) | Full | Mittel Investimenti Immobiliari S.r.l. | 100,00% | 100,00% | 100,00% |
| 35 | Regina S.r.l. | Milan | (1) | Full | Mittel Investimenti Immobiliari S.r.l. | 100,00% | 100,00% | 100,00% |
| 36 | Fashion District Group S.r.l. in liquidation | Milan | (1) | Full | Earchimede S.p.A. | 66,66% | 66,66% | 66,47% |
| 37 | Parco Mediterraneo S.r.l. | Milan | (1) | Full | Fashion District Group in liquidation | 100,00% | 100,00% | 66,47% |
| 38 | Mittel Curae S.r.l. | Milan | (1) | Full | Curae Group S.r.l. | 100,00% | 100,00% | 100,00% |
| **B. Companies consolidated using the equity method** | | | | | | | | |
| **Direct associates:** | | | | | | | | |
| 1 | Mittel Generale Investimenti S.r.l. | Milan | (6) | Equity | Mittel S.p.A. | 27,00% | 27,00% | 27,00% |
| 2 | Mit.Fin. S.p.A. | Milan | (6) | Equity | Mittel S.p.A. | 30,00% | 30,00% | 30,00% |
| **Indirect associates:** | | | | | | | | |
| 3 | Superpartes S.p.A. | Brescia | (7) | Equity | Earchimede S.p.A. | 11,89% | 11,89% | 11,85% |

(a) Type of relationship:
1 – majority of voting rights at ordinary shareholders' meeting;
2 – dominant influence at ordinary shareholders' meeting;
3 – agreements with other shareholders;
4 – joint control;
5 – other forms of control which, pursuant to IFRS 10, simultaneously attribute availability of the power of governance over the relevant activities and exposure to the variability of the resultant returns;
6 – company subject to significant influence;
7 - company subject to significant influence based on agreements with other shareholders which regulate their governance and administration with binding veto power over significant specific matters.
(b) Availability of votes at ordinary shareholders' meeting, distinguishing between actual and potential

## Significant valuations and assumptions for determining the consolidation scope

As previously described, the following are considered subsidiaries: companies in which Mittel S.p.A. is exposed to variable returns, or holds rights over said returns, deriving from its relationship with the same and at the same time has the capacity to affect the returns by exercising its power over said entities. Control only exists when the following elements are simultaneously present:

- power to direct the relevant activities of the investee;
- exposure or the rights to variable returns deriving from the relationship with the investee;
- the ability to use its power over the investee to affect the amount of the investee's returns.

More specifically, the Group considers the following factors when assessing the existence of control:

- the purpose and the structure of the investee, in order to identify the entity's objectives, its relevant activities or those that significantly affect returns, and how these activities are governed;
- the power, in order to understand whether the Group has contractual rights that attribute the ability to direct the relevant activities;
- the exposure to the variability of the returns of the investee, in order to evaluate whether the return received by the Group may potentially vary based on the results achieved by the investee.

Furthermore, in order to assess the existence of control, the potential principal-agent relations are taken into consideration; to assess whether the Group operates as a principal or an agent, it takes into consideration the following factors:

- decision-making power over the relevant activities of the investee;
- the rights held by other entities;
- the remuneration the Group is entitled to;

- the Group's exposure to the variability of the returns deriving from any investment held in the investee.

IFRS 10 identifies only activities that significantly affect the returns of the investee as "relevant activities". In general terms, when the relevant activities are managed through voting rights, the following factors provide evidence of control:

- ownership, directly or indirectly through its subsidiaries, of more than half of the voting rights of an entity unless, in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control;
- ownership of half, or less than half, of voting rights that can be exercised at shareholders' meetings and the practical ability to unilaterally govern the relevant activities through: power over more than half of the voting rights by virtue of an agreement with other investors; or the power to determine the financial and operating policies of the entity under a statute or an agreement; or the power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or the power to exercise the majority of voting rights at meetings of the board of directors or equivalent governing body.

In order to exercise this power, the Group's rights over the investee must be substantive; to be substantive, these rights must be practically exercisable when the decisions about relevant activities must be taken.
The existence and effect of potential voting rights, where substantive, are taken into consideration when assessing whether the power to direct the financial and management policies of another entity exists or not.
No situations are recognised in which the Group is in a condition to exercise "de facto control" over an entity which, despite the absence of the majority of voting rights, demonstrates the ownership of rights, even of a non-participatory nature, such as to allow the unidirectional management of the investee's relevant activities.
Under subsidiaries, no "structured entities" are identified in which the voting rights do not represent key elements for the evaluation of control, including therein vehicle companies (SPE/SPV) and investment funds.
As at 30 June 2019, it should be noted that the Group owns the majority of the voting rights in all operating entities subject to line-by-line consolidation.
It should also be pointed out that there are no cases in which:

- control derives from the ownership of potential voting rights and/or other substantive rights;
- the Group holds the majority of voting rights and is not exposed to the variability of returns and is able to influence them.

The investment funds managed by third party companies are considered controlled if the Group is significantly exposed to the variability of returns and at the same time holds a unilateral right to remove the management company.
In this regard, it is presumed, unless there is evidence to the contrary, that the exposure to the variability of returns is significant if the Group has subscribed at least 30% of the fund's units.

**Significant valuations and assumptions for establishing whether joint control or a significant influence exists**

Entities for which, on a contractual basis, control is shared between the Group and one or more other entities, or when decisions about the relevant activities require the unanimous consent of all the parties sharing control, are considered joint ventures.
An associate is an entity in which the investor exercises a significant influence and which is neither a wholly-owned subsidiary nor a joint venture.
Entities in which the Group holds at least 20% of voting rights (including therein "potential" voting rights) or in which - despite with a lower share of voting rights - has the power to participate in the determination of the financial and management policies by virtue of particular legal links, such as participation in shareholders' agreements, are considered to be companies subject to a significant influence (associates).
Significant influence is presumed to exist when the investor owns, directly or indirectly, at least 20% of the capital of another company, or is able, also through shareholder agreements, to exercise a significant influence through:

- representation in the company's governing body;
- participation in the policy definition process, including therein participation in decisions relating to dividends or other distributions;
- the existence of significant transactions;
- the exchange of managerial personnel;
- the supply of essential technical information.

Any interests exceeding 20% in which the Group exclusively holds equity rights over a portion of the profits from the investments, has no access to the management policies, and can exercise governance rights limited to the protection of its own equity interests are not considered subject to significant influence.

### Changes in the consolidation scope

During the six-month period ended 30 June 2019, a number of changes occurred in the consolidation scope. Detailed information on the most significant changes is described below.

#### *Acquisition of Galassia Group S.r.l. by Mittel Design S.r.l.*

As previously described, on 28 June 2019 Mittel Design S.r.l., 100% owned by Mittel S.p.A., acquired 68,64% of Galassia Group S.r.l., which in turn has full ownership of Galassia S.p.A. and, through the latter, Galassia Hispania S.a.u. The price of the acquisition was EUR 8,4 million.

The acquisition led to the initial recognition of goodwill of EUR 4,4 million.

In order to provide adequate information, details of the net assets acquired as at the reference date of 28 June 2019 and the related calculation of goodwill emerging in the consolidated financial statements of Mittel Group are as follows.

**Situazione patrimoniale-finanziaria Galassia Group al 28 giugno 2019**

| Valori in Euro '000 | Dati in continuità di valori |
|---|---|
| Attività immateriali | 62 |
| Attività materiali | 11.404 |
| Crediti finanziari | 332 |
| Altre attività finanziarie | 140 |
| Crediti diversi e altre attività | 1 |
| Attività per imposte anticipate | 175 |
| **Totale Attività Non Correnti** | **12.114** |
| Rimanenze | 7.809 |
| Crediti finanziari | 6 |
| Attività fiscali correnti | 523 |
| Crediti diversi e altre attività | 7.908 |
| Disponibilità liquide e mezzi equivalenti | 276 |
| **Totale Attività Correnti** | **16.521** |
| Debiti finanziari | (7.119) |
| Altre passività finanziarie | (69) |
| Fondi per il personale | (941) |
| Passività per imposte differite | (1.164) |
| **Totale Passività Non Correnti** | **(9.294)** |
| Debiti finanziari | (5.486) |
| Debiti diversi e altre passività | (8.101) |
| **Totale Passività Correnti** | **(13.587)** |
| **Attivo netto** | **5.755** |
| **Quota di pertinenza dell'Attivo netto (68,64%)** | **3.950** |
| Corrispettivo di acquisto regolato a pronti | 8.374 |
| Corrispettivo di acquisto potenziale con regolamento differito | - |
| **Fair value del costo dell'aggregazione d'impresa alla data di acquisizione** | **8.374** |
| **Avviamento dell'aggregazione d'impresa** | **4.424** |

A breakdown is provided below of the liquidity used directly for the acquisition and for associated transactions:

| Liquidità connessa con l'aggregazione d'impresa: | |
|---|---|
| Corrispettivo di acquisto - quota regolata a pronti | (8.374) |
| Costi correlati all'acquisizione | (548) |
| Disponibilità liquide acquisite | 276 |
| **Liquidità netta utilizzata per l'acquisizione** | **(8.647)** |

The process of accounting for the business combination could undergo changes in the event of an adjustment to the fair value of the assets and liabilities acquired and will be completed within 12 months of the date of acquisition, in accordance with IFRS 3 and IAS 36.

### *Acquisition of Disegno Ceramica S.r.l. by Mittel Design S.r.l.*

As previously described, on 28 June 2019 the company Mittel Design S.r.l., 100% owned by Mittel S.p.A., acquired 80% of Disegno Ceramica S.r.l. The price of the acquisition was EUR 3,0 million.

The acquisition led to the initial recognition of goodwill of EUR 1,1 million.

In order to provide adequate information, details of the net assets acquired as at the reference date of 28 June 2019 and the related calculation of goodwill emerging in the consolidated financial statements of Mittel Group are as follows.

**Situazione patrimoniale-finanziaria Disegno Ceramica 28 giugno 2019**

| Valori in Euro '000 | Dati in continuità di valori |
|---|---|
| Attività immateriali | 67 |
| Attività materiali | 5.889 |
| Altre attività finanziarie | 1 |
| Crediti diversi e altre attività | 150 |
| Attività per imposte anticipate | 92 |
| **Totale Attività Non Correnti** | **6.198** |
| Rimanenze | 6.077 |
| Attività fiscali correnti | 22 |
| Crediti diversi e altre attività | 3.416 |
| Disponibilità liquide e mezzi equivalenti | 1.134 |
| **Totale Attività Correnti** | **10.649** |
| Debiti finanziari | (5.219) |
| Fondi per il personale | (387) |
| Passività per imposte differite | (627) |
| Fondo per rischi ed oneri | (150) |
| Debiti diversi e altre passività | (789) |
| **Totale Passività Non Correnti** | **(7.171)** |
| Debiti finanziari | 168 |
| Passività fiscali correnti | (132) |
| Debiti diversi e altre passività | (7.413) |
| **Totale Passività Correnti** | **(7.377)** |
| **Attivo (Passivo) netto** | **2.299** |
| **Quota di pertinenza dell'Attivo netto (80%)** | **1.839** |
| Corrispettivo di acquisto regolato a pronti | 2.960 |
| Corrispettivo di acquisto potenziale con regolamento differito | - |
| **Fair value del costo dell'aggregazione d'impresa alla data di acquisizione** | **2.960** |
| **Avviamento dell'aggregazione d'impresa** | **1.121** |

A breakdown is provided below of the liquidity used directly for the acquisition and for associated transactions:

| **Liquidità connessa con l'aggregazione d'impresa:** | |
|---|---|
| Corrispettivo di acquisto - quota regolata a pronti | (2.960) |
| Costi correlati all'acquisizione | (147) |
| Disponibilità liquide acquisite | 1.134 |
| **Liquidità netta utilizzata per l'acquisizione** | **(1.973)** |

The process of accounting for the business combination could undergo changes in the event of an adjustment to the fair value of the assets and liabilities acquired and will be completed within 12 months of the date of acquisition, in accordance with IFRS 3 and IAS 36.

### Additional information on the subsidiaries with significant non-controlling interests

With reference to the information required by IFRS 12, for each of the subsidiaries with significant non-controlling interests a summary is provided below of the economic and financial data of the subsidiary as at 30 June 2019 and the information relating to the share of the interests held by non-controlling shareholders and the percentage of voting rights.
The aforementioned economic and equity data derive from the accounting situations as at 30 June 2019 of the subsidiaries with significant non-controlling interests, appropriately reclassified and adjusted to take account of the period and consolidation entries and, where necessary, to bring them into line with the Group accounting standards for the purpose of the consolidated financial statements as at 30 June 2019.

## Equity investments with significant non-controlling interests: accounting information

**Partecipazioni con interessenze di terzi significative: informazioni contabili**
Valori in migliaia di Euro

| **Società controllate:** | **Balder S.r.l.** | **Ghea S.r.l.** | **IMCS.p.A.** | **Earchimede S.p.A.** | **Fashion District Group S.r.l. in liq.** | **Parco Mediterraneo S.r.l.** | **Ceramica Cielo S.p.A.** | **Galassia Group S.r.l.** | **Disegno Ceramica S.r.l.** | **Gruppo Zaffiro** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Margine Operativo Lordo** | **291** | **(103)** | **3.196** | **(54)** | **(172)** | **(16)** | **4.601** | | | **5.626** |
| *di cui:* | | | | | | | | | | |
| *Ricavi* | *2.115* | *0* | *16.787* | *0* | *0* | *0* | *14.909* | | | *19.965* |
| *Variazioni delle rimanenze* | *(423)* | *0* | *565* | *0* | *0* | *0* | *549* | | | *0* |
| *Costi per acquisti* | *(708)* | *0* | *(10.561)* | *0* | *0* | *0* | *(5.031)* | | | *(1.233)* |
| *Costi per servizi* | *(283)* | *(95)* | *(1.170)* | *(53)* | *(29)* | *(15)* | *(3.243)* | | | *(3.954)* |
| *Costi per il personale* | *(406)* | *0* | *(2.472)* | *0* | *0* | *0* | *(3.545)* | | | *(9.156)* |
| **Risultato Operativo** | **195** | **(103)** | **614** | **(54)** | **(172)** | **(16)** | **4.050** | | | **2.866** |
| *di cui:* | | | | | | | | | | |
| *Ammortamenti* | *(95)* | *0* | *(2.568)* | *0* | *0* | *0* | *(552)* | | | *(2.730)* |
| *Accantonamenti* | *(1)* | *0* | *(14)* | *0* | *0* | *0* | *0* | | | *(31)* |
| Proventi finanziari | 1 | 0 | 1 | 0 | 0 | 0 | 6 | | | 1.169 |
| Oneri finanziari | (2) | 0 | (935) | (0) | 0 | 0 | (75) | | | (2.694) |
| (Rettifiche)/Riprese di valore attività finanziarie | 0 | 0 | 0 | 135 | 0 | 0 | (22) | | | (6) |
| **Risultato ante Imposte** | **194** | **(103)** | **(320)** | **81** | **(172)** | **(16)** | **3.959** | | | **1.335** |
| Imposte sul reddito | (55) | 28 | 59 | 31 | 33 | 18 | (1.044) | | | (217) |
| **Utile (perdita) dell'esercizio** | **139** | **(75)** | **(262)** | **112** | **(139)** | **3** | **2.915** | | | **1.117** |
| di cui Risultato di Pertinenza di Terzi | 35 | (37) | (65) | 0 | (47) | 1 | 292 | | | 279 |
| **Attività non correnti** | **1.007** | **0** | **53.225** | **2.502** | **1.971** | **0** | **11.807** | **12.114** | **6.198** | **212.197** |
| *di cui:* | | | | | | | | | | |
| Crediti finanziari | 0 | 0 | 700 | 0 | 1.890 | 0 | 0 | 332 | 0 | 0 |
| Altre attività finanziarie | 0 | 0 | 0 | 2.050 | 0 | 0 | 0 | 140 | 1 | 0 |
| **Attività correnti** | **2.411** | **2.723** | **21.522** | **2.611** | **6.364** | **2.486** | **25.124** | **16.521** | **13.365** | **28.258** |
| *di cui:* | | | | | | | | | | |
| Rimanenze | 528 | 0 | 7.533 | 0 | 0 | 2.300 | 5.883 | 7.809 | 6.077 | 73 |
| Crediti finanziari | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 |
| Disponibilità liquide e mezzi equivalenti | 1.584 | 2.707 | 6.690 | 2.198 | 4.544 | 74 | 9.606 | 276 | 3.849 | 16.274 |
| **Totale Attività** | **3.418** | **2.723** | **74.747** | **5.113** | **8.335** | **2.486** | **36.930** | **28.636** | **19.563** | **240.456** |
| **Passività non correnti** | **802** | **0** | **45.565** | **0** | **550** | **1.900** | **4.636** | **9.294** | **7.172** | **192.079** |
| *di cui:* | | | | | | | | | | |
| Debiti finanziari | 700 | 0 | 40.015 | 0 | 0 | 1.890 | 2.872 | 7.119 | 5.219 | 188.061 |
| **Passività correnti** | **892** | **1** | **12.801** | **110** | **2.038** | **461** | **12.202** | **13.587** | **10.092** | **38.548** |
| *di cui:* | | | | | | | | | | |
| Debiti finanziari | 0 | 0 | 1.093 | 0 | 0 | 0 | 1.320 | 5.486 | 2.547 | 11.090 |
| **Patrimonio Netto** | **1.725** | **2.722** | **16.381** | **5.003** | **5.747** | **125** | **20.093** | **5.755** | **2.299** | **9.829** |
| ***di cui attribuibile ad interessenze di terzi*** | ***431*** | ***1.334*** | ***4.095*** | ***15*** | ***1.927*** | ***42*** | ***2.439*** | ***1.805*** | ***460*** | ***2.457*** |

**Non-controlling interests, availability of third-party votes and dividends distributed to non-controlling interests**

| | Interests in capital of non-controlling interests % | Availability of votes of non-controlling interests % (1) | Profit (loss) pertaining to non-controlling interests | Equity pertaining to non-controlling interests | Dividends distributed to non-controlling interests |
|---|---|---|---|---|---|
| Ghea S.r.l. | 49,00% | 49,00% | (37) | 1.371 | 10.780 |
| Disegno Ceramica S.r.l. | 20,00% | 20,00% | - | 460 | - |
| Galassia Group S.r.l. | 31,36% | 31,36% | - | 230 | - |
| Galassia S.p.A. | 31,36% | | - | 1.273 | - |
| Galassia Hispania | 31,36% | | - | 302 | - |
| Ceramica Cielo S.r.l. | 10,00% | 10,00% | 292 | 2.147 | - |
| Earchimede S.p.A. | 0,29% | 0,29% | 0 | 14 | 22 |
| Fashion District Group S.r.l. in liquidation | 33,53% | 33,34% | (47) | 1.974 | - |
| IMC S.r.l. | 25,00% | 25,00% | (65) | 4.160 | - |
| Balder S.r.l. | 25,00% | 0,00% | 35 | 396 | - |
| Parco Mediterraneo S.r.l. | 33,53% | 0,00% | 1 | 41 | - |
| Zaffiro Group | 25,00% | 25,00% | 279 | 2.178 | - |
| | | | 458 | 14.546 | 10.802 |

(1) : Availability of voting rights at ordinary shareholders' meetings

With reference to these significant non-controlling interests in subsidiaries, it should be noted that there are no particular rights of protection of non-controlling shareholders that can significantly limit the Group’s ability to transfer assets and extinguish liabilities.

The section ‘Significant accounting standards and basis of preparation’, to which reference should be made, contains an illustration of the criteria and methods of determination of the consolidation scope and the reasons for which an investee is subject to joint control or significant influence.

The consolidated financial statements are prepared on the basis of the accounting situations as at 30 June 2019 drafted by the respective consolidated companies, adjusted, where necessary, in order to align these to the Mittel Group classification criteria and accounting standards compliant with IFRS.

## Information on the consolidated statement of financial position - Assets

## Non-current assets

### 4. Intangible assets

Intangible assets amounted to EUR 79,1 million, an increase compared to EUR 73,4 million in the previous year.

The item saw the following changes:

| | Goodwill | Trademarks | Plant | Concessions and licences | Other | Total |
|---|---|---|---|---|---|---|
| **Values as at 01.01.2019** | **67.585** | **5.428** | **-** | **146** | **211** | **73.369** |
| **Changes in the year:** | | | | | | |
| - acquisitions | - | - | - | 82 | (8) | **86** |
| - increase due to business combinations | 5.547 | 20 | 6 | 12 | 100 | **5.585** |
| - disposals | - | - | - | (2) | - | **(2)** |
| - amortisation | - | - | - | (48) | (19) | **(68)** |
| **Total changes** | **5.547** | **20** | **6** | **44** | **73** | **5.690** |
| **Values as at 30.06.2019** | **73.132** | **5.448** | **6** | **190** | **284** | **79.059** |

The increase in this item, equivalent to EUR 5,7 million, is primarily explained by the goodwill temporarily recognised for the two significant business combinations that took place at the end of the first half in the Design sector, relative to Galassia Group (EUR 4,4 million) and Disegno Ceramica (EUR 1,1 million).

Goodwill as at 30 June 2019, amounting to EUR 73,1 million, is therefore attributable to:

- for EUR 42,8 million, Gruppo Zaffiro S.r.l. (and subsidiaries), value in line with that of the previous year;
- for EUR 19,2 million, IMC S.p.A., value in line with 31 December 2018;
- for EUR 5,6 million, Ceramica Cielo S.p.A., value in line with the previous year;
- for EUR 4,4 million, Galassia Group S.r.l. (business combination carried out at the end of June 2019);
- for EUR 1,1 million, Disegno Ceramica S.r.l. (business combination carried out at the end of June 2019);

The “Trademarks” item, amounting to EUR 5.4 million, is detailed as follows:

- EUR 4,3 million for the Ceramica Cielo S.p.A. trademark, amount corresponding to the fair value determined in 2018 following the completion of the PPA process;
- EUR 1,1 million for the Gruppo Zaffiro brand, amount recognised at the end of 2017 upon completion of the related PPA process.

**Goodwill impairment test**

As at 30 June 2019, pending the completion of the PPA processes for the business combinations carried out at the end of the first half (Galassia Group and Disegno Ceramica) and in consideration of the fact that the CGUs belonging to the Nursing Home sector (Zaffiro Group) had been subjected to the annual impairment test on 31 December 2018 (which did not result in indicators or issues that would require updating the measurements prior to the annual testing envisaged by IAS 36), the CGUs of the following were subjected to impairment tests:

- Ceramica Cielo, whose last annual impairment test was conducted on 30 June 2018;
- IMC, which had been subjected to impairment testing on 31 December 2018, but due to the weakness in the overall macroeconomic scenario that affected demand in the reference sector (Automotive) and caused economic performance for the company that was lower than the forecasts

incorporated in the previous assessment, it was necessary to update the impairment test performed at the end of the previous year.

The purpose of the impairment test on the aforementioned goodwill figures was to assess whether the book values at 30 June 2019 were accurate and whether its economically recoverable value, based on the enterprise value (EV), of the identified CGUs was higher than the book value of the goodwill and net assets of the CGUs.

It should be noted that IAS 36 states that any CGU or group of CGUs to which goodwill may be allocated must represent the lower level at which the company controls goodwill for management purposes. This minimum level coincides, in this case, with the legal entities being acquired, as assets or groups of assets generating cash inflows that are largely independent from cash inflows from other assets or groups of assets cannot be identified within the legal entities.

The "recoverable value" is defined by the accounting standard as the higher of the following:

- the fair value of the asset less costs to sell;
- the value in use.

The value in use of the CGUs subject to impairment testing ("Value in use of the CGU") is determined by means of a "financial method" (the so-called Discounted Cash Flow method), which estimates the present value of future cash flows that the CGU is expected to generate.

According to this financial method, the fundamental value of the business activity is estimated on the basis of an asset side approach, which starts from the estimate of the value of the operating asset (the so-called Core Enterprise Value or Core EV), obtained as the present value of expected future (net of taxes) unlevered free cash flows (UFCF).

In particular, according to this method, from an asset side perspective, the operating value of a company's business is represented by the value of its typical or operating assets, given by the sum of the present value of the cash flows generated by operations in an explicit projection period and the present value of the company's operating assets at the end of that period (Terminal Value).

The parameters and data used to calculate the Value in Use and the results of the impairment tests carried out are shown separately below for the Ceramica Cielo and IMC CGUs.

***Ceramica Cielo***

<u>*Operating cash flows for the explicit forecast period (2020-2022)*</u>

The cash flows identified in this method are those of an operating nature, destined for remuneration and possible repayment of all risk and debt capital providers.
The estimate of expected cash flows is determined on the basis of projections formalised in the Economic and Financial Plan approved by the administrative body of Ceramica Cielo S.p.A.
For the purposes of the model used to calculate value in use, the 2020-2022 period has been assumed as the explicit time period for determining cash flows for the CGU, corresponding to the economic and financial projections reported in the Plan.

<u>*Terminal Value or residual value (“TV”)*</u>

The value at the end of the period of analytical forecast of cash flows (known as “Terminal Value”) was determined, from a prudential standpoint, by exclusively considering a nominal growth factor "g" (corresponding to the expected long-term inflation rate) of the cash outflow for the period of the analytical projection.

<u>*Discount rate for cash flows*</u>

In determining the value in use, cash flows were discounted to present value at a rate that reflects current market assessments, the time value of money and the specific risks of the asset, appropriately taking into account the long-term nature of the cash flows used in estimating the value in use of the CGU.
The cost of capital is determined net of taxes, in order to be consistent with the discounted cash flows.
In order to discount the operating cash flows, a rate representing the cost of all financial resources used by the company, represented by the Weighted Average Cost of Capital (WACC), was used.

The parameters considered in the WACC estimate are set out below.

- Cost of equity – K*e*: overall, the identified risk cost of capital (K*e*) was **10,6%**, based on using the following parameters:
  - The risk-free rate was determined with reference to 10-year Italian government bonds from the reporting date. The rate of return on risk-free investments was estimated on the basis of the average effective gross return on medium/long-term Italian government bonds (10-year BTP) recorded at the date of the verification and was **0,9%.**
  - The unlevered beta – $\beta$: also known as the "asset beta", indicates the correlation factor between the effective return on an equity share and the total return in the reference market; this measures the volatility of the equity with respect to the market.
    The Beta coefficient is a measure of the correlation between the company's operating cash flows and those expected from the market under the assumption that the company is free of financial risk and is calculated as an average of the unlevered betas of comparable companies. The unlevered beta was **0,90**.
    This coefficient was recalculated by assuming a financial structure typical of the sector in which the Company operates, for which a sector average gearing (ratio between debt capital (D) and the sum of equity capital (E) and debt capital (D+E)) of 25% was calculated and it was deemed reasonable to assume a relevered Beta of **1,13**, which was taken into account for the determination of the cost of capital Ke;
  - An estimated market risk premium was used for the Italian market equal to **6,0%**;
  - For prudential purposes, an overall premium/discount on specific risk of **3%** was included, which is essentially an additional premium on the cost of equity ("Small cap size premium" or "Lack of marketability discount"), to reflect the differences in company size and the lack of share prices compared to the panel of comparables used to estimate the Beta.

- Cost of debt – K*d*: an analysis of the cost of non-current debt was carried out and a cost of debt sustainable in the long term of **4,00%** was determined.
  Tax rate – *t*: a tax rate on business income (IRES) of 24,00% was applied.
  By applying a tax rate of 24,00%, the cost of the debt, net of the fiscal consequences, is equal to around 3,30%.

- Leverage ratio – D/(E+D): as regards leverage (i.e. the ratio between net financial debt - D - and total sources of financing - D+E - Equity), on the basis of the financial structure at the valuation date, an average market leverage level was assumed. For the purposes of estimating a medium/long-term sustainable leverage ratio (D/E), it is considered reasonable to assume a value of 33,3%, to which corresponds a financial structure coefficient D/(D+E) of **25,0%**.

The WACC discounting rate used for the assessment is therefore **9,0%.**

*Impairment test results*

The result of the impairment analysis, carried out with reference to the Enterprise Value of the CGU compared to the corresponding value of the operating invested capital of the CGU, has demonstrated the full recoverability of the book values, with a recoverable value that is much higher than the book value of the CGU including goodwill allocated as part of the PPA process.

| *(Valori in Euro '000)* | Carrying Amount 30.06.2019 | | | Impairment test 30.06.2019 | |
|---|---|---|---|---|---|
| **Impairment test Ceramica Cielo** | **Capitale Investito (A)** | **PPA (plusvalore brand) (B)** | **Valore contabile CGU post PPA A+B=(C)** | **Valore recuperabile (EV) (D)** | **Plusvalore (+) / Impairment loss (-) D-C** |
| ***Capitale Investito*** | ***13.133*** | ***4.300*** | ***17.433*** | ***55.644*** | |
| Quota di pertinenza del Gruppo (90%) | | | 15.690 | 50.080 | |
| Avviamento | | | 5.551 | | |
| ***Capitale investito di Gruppo + Avviamento*** | | | ***21.241*** | ***50.080*** | ***28.839*** |

*Sensitivity analysis*

Since value in use is determined using estimates and assumptions that may present elements of uncertainty, sensitivity analyses were carried out, as required by IAS/IFRS, to verify the sensitivity of the results obtained to changes in certain parameters and underlying assumptions.

In particular, the impact on the value in use of a change of up to 100 basis points in the discount rate and the reducing to zero of the growth rate "g" for the purpose of estimating the Terminal Value was verified. In the scenario analysed for the purposes of sensitivity, recoverable values would be approximately 20% lower than those determined for the purposes of the impairment test. However, even in this scenario, no cases of impairment would arise for the CGU.

***IMC***

*Operating cash flows for the explicit forecast period (2020-2024)*

The cash flows identified in this method are those of an operating nature, destined for remuneration and possible repayment of all risk and debt capital providers.
The estimate of expected cash flows is determined on the basis of projections formalised in the Economic and Financial Plan approved by the administrative body of IMC.
For the purposes of the model used to calculate value in use, the 2020-2024 period has been assumed as the explicit time period for determining cash flows for the CGU, corresponding to the economic and financial projections reported in the Plan.

*Terminal Value or residual value ("TV")*

The value at the end of the period of analytical forecast of cash flows (known as "Terminal Value") was determined, from a prudential standpoint, by exclusively considering a nominal growth factor "g" (corresponding to the expected long-term inflation rate) of the cash outflow for the period of the analytical projection.

*Discount rate for cash flows*

In determining the value in use, cash flows were discounted to present value at a rate that reflects current market assessments, the time value of money and the specific risks of the asset, appropriately taking into account the long-term nature of the cash flows used in estimating the value in use of the CGU.
The cost of capital is determined net of taxes, in order to be consistent with the discounted cash flows.
In order to discount the operating cash flows, a rate representing the cost of all financial resources used by the company, represented by the Weighted Average Cost of Capital (WACC), was used.

The parameters considered in the WACC estimate are set out below.

- Cost of equity – K*e*: overall, the identified risk cost of capital (K*e*) was **8,9%**, based on using the following parameters:
  - The risk-free rate was determined with reference to 10-year Italian government bonds from the reporting date. The rate of return on risk-free investments was estimated on the basis of the average effective gross return on medium/long-term Italian government bonds (10-year BTP) recorded at the date of the verification and was **0,9%**.
  - The unlevered beta – $\beta$: also known as the "asset beta", indicates the correlation factor between the effective return on an equity share and the total return in the reference market; this measures the volatility of the equity with respect to the market.
    The Beta coefficient is a measure of the correlation between the company's operating cash flows and those expected from the market under the assumption that the company is free of financial risk and is calculated as an average of the unlevered betas of comparable companies. The unlevered beta was **0,61**.
    This coefficient was recalculated by assuming a financial structure typical of the sector in which the Company operates, for which a sector average gearing (ratio between debt capital (D) and the sum of equity capital (E) and debt capital (D+E)) of 33.3% was calculated and it was deemed reasonable to assume a relevered Beta of **0,84**, which was taken into account for the determination of the cost of capital Ke;
  - An estimated market risk premium was used equal to **6,0%**;

- For prudential purposes, an overall premium/discount on specific risk of **3%** was included, which is essentially an additional premium on the cost of equity ("Small cap size premium" or "Lack of marketability discount"), to reflect the differences in company size and the lack of share prices compared to the panel of comparables used to estimate the Beta.

- Cost of debt – K*d*: an analysis of the cost of non-current debt was carried out and a cost of debt sustainable in the long term of **4,1%** was determined.
  Tax rate – *t*: a tax rate on business income (IRES) of 24,00% was applied.
  By applying a tax rate of 24,00%, the cost of the debt, net of the fiscal consequences, is equal to around 3,15%.

- Leverage ratio – *D/(E+D)*: as regards leverage (i.e. the ratio between net financial debt - D - and total sources of financing - D+E - Equity), on the basis of the financial structure at the valuation date, an average market leverage level was assumed. For the purposes of estimating a medium/long-term sustainable leverage ratio (D/E), it is considered reasonable to assume a value of 50,0%, to which corresponds a financial structure coefficient D/(D+E) of **33,3%**.

The WACC discounting rate used for the assessment is therefore **7,0%**.

*Impairment test results*

The result of the impairment analysis, carried out with reference to the Enterprise Value of the CGU compared to the corresponding value of the operating invested capital of the CGU, is shown in the following table, which summarises the results of the valuation carried out. These results show the full recoverability of the book values, in the presence of a recoverable value (column D) far higher than the book value of the CGU post PPA (column C).

| *(Valori in Euro '000)* | Carrying Amount 30.06.2019 | | | Impairment test 30.06.2019 | |
|---|---|---|---|---|---|
| **Impairment test IMC** | Capitale Investito | Purchase Price Allocation (B) | Valore contabile CGU post PPA A+B=(C) | Valore recuperabile (EV) (D) | Plusvalore (+) / Impairment loss (-) D-C |
| ***Capitale Investito (netto IFRS 16)*** | ***6.165*** | ***12.607*** | ***18.772*** | | |
| Avviamento | | 19.258 | 19.258 | | |
| ***Capitale investito di Gruppo + Avviamento*** | | | ***38.030*** | ***52.923*** | ***14.893*** |

*Sensitivity analysis*

Since value in use is determined using estimates and assumptions that may present elements of uncertainty, sensitivity analyses were carried out, as required by IAS/IFRS, to verify the sensitivity of the results obtained to changes in certain parameters and underlying assumptions.

In particular, the impact on the value in use of a change of up to 100 basis points in the discount rate and the reducing to zero of the growth rate "g" for the purpose of estimating the Terminal Value was verified. In the scenario analysed for the purposes of sensitivity, recoverable values would be approximately 25% lower than those determined for the purposes of the impairment test. However, even in this scenario, no cases of impairment would arise for the CGU.

## 5. Property, plant and equipment

This item amounted to EUR 226,4 million, up by EUR 179,5 million compared to 31 December 2018. More specifically, the item saw the following changes:

| | Land and buildings | Investment property | Plant and machinery | Office machines and equipment | Rights of use | Other assets | Total |
|---|---|---|---|---|---|---|---|
| **Values as at 01.01.2019** | **18.595** | **-** | **23.828** | **2.745** | **-** | **1.721** | **46.889** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Changes in the year:** | | | | | | | |
| - acquisitions | 3.881 | - | 1.720 | 178 | - | - | **5.779** |
| - increase due to business combinations | 15.193 | - | 4.362 | 52 | 163 | 335 | **20.105** |
| - disposals | - | - | - | (257) | - | (4) | **(261)** |
| - reclassifications | - | - | - | - | - | - | **-** |
| - amortisation | (90) | - | (2.255) | (235) | (3.099) | (283) | **(5.961)** |
| - other changes | (9.108) | - | (24) | (1) | 169.098 | (115) | **159.850** |
| **Total changes** | **9.877** | **-** | **3.803** | **(263)** | **166.162** | **(66)** | **179.513** |
| **Values as at 30.06.2019** | **28.472** | **-** | **27.631** | **2.482** | **166.162** | **1.655** | **226.401** |

The increase is primarily due to the application of IFRS 16, whose effects are shown in the item "Rights of use", amounting to EUR 166,2 million, net of amortisation of EUR 3,1 million.

An additional increase totalling EUR 17,1 million is attributable to the new companies in the Design sector included in the consolidation scope, specifically: for EUR 5,7 million Disegno Ceramica, for EUR 5,0 million Galassia Group S.r.l., for EUR 5,5 million Galassia S.p.A., and for EUR 0,9 million Galassia Hispania.

The assets for rights of use are presented below:

(Valori in Euro migliaia)

| | Costo storico al 01/01/2019 | Amm. e sval. cumulate al 01.01.2019 | Valore netto al 01/01/2019 | Costo storico al 30/06/2019 | Amm. e sval. cumulate al 30.06.2019 | Valore netto al 30/06/2019 |
|---|---|---|---|---|---|---|
| Terreni, Fabbricati e Edifici | 152.562 | (23.845) | 128.717 | 180.354 | (14.722) | 165.632 |
| Attrezzature | 324 | (55) | 268 | 324 | (105) | 219 |
| Mobili e macchinario da ufficio | 32 | (12) | 20 | 59 | (23) | 35 |
| Autoveicoli e Mezzi di trasporto interno | 72 | (34) | 38 | 282 | (83) | 199 |
| Autovetture | 163 | (61) | 103 | 157 | (80) | 77 |
| Altri beni | - | - | - | - | - | - |
| **Totale** | **153.153** | **(24.007)** | **129.146** | **181.175** | **(15.014)** | **166.162** |

Details on the changes that occurred from the date of first application of the standard and the closing date for the first half are shown below.

(valori in Euro migliaia)

| | Valore netto al 01/01/2019 per FTA IFRS 16 | Incrementi per nuovi contratti di leasing | Operazioni di retrolocazione | Alienazioni | Ammortamenti | Aggregazioni di imprese | Svalutaz. | Altre variazioni nette | Valore netto al 30/06/2019 |
|---|---|---|---|---|---|---|---|---|---|
| Terreni, Fabbricati e Edifici | 128.717 | 31.470 | 8.482 | - | (3.018) | - | - | - | 165.650 |
| Attrezzature | 268 | - | - | - | (50) | - | - | - | 219 |
| Mobili e macchinario da ufficio | 20 | - | - | - | (6) | 26 | - | - | 41 |
| Autoveicoli e Mezzi di trasporto interno | 38 | (46) | - | - | (27) | 184 | - | - | 149 |
| Autovetture | 103 | 44 | - | (25) | (17) | - | - | - | 104 |
| Altri beni | - | - | - | - | - | - | - | - | - |
| **Totale** | **129.146** | **31.467** | **8.482** | **(25)** | **(3.118)** | **210** | **-** | **-** | **166.162** |

Note that during the first half, a sales and lease-back transaction was concluded for an operating property in the Nursing Home sector and a sales price greater than the value of the asset was recognised. The gain relative to the percentage of the asset's previous book value that refers to the right of use maintained by the Group was recorded as a reduction in the book value of the right of use (EUR 5,7 million), recognising in the income statement only the amount of the profit that refers to the share of the rights transferred, resulting in an effect on the net result pertaining to the Group of EUR 0,3 million.

## 6. Investments accounted for using the equity method

These totalled EUR 6,0 million, essentially unchanged compared to the prior period.

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Mittel Generale Investimenti S.r.l. | 5.400 | 5.400 |
| Mit.Fin S.p.A. | 205 | 247 |
| Superpartes S.p.A. | 452 | 474 |
| | 6.057 | 6.121 |

The change in the item is as follows:

| Name/company name | % interest | Values as at 01.01.2019 | Purchases | Transfers | Profit/(loss), pro-rata | Adjustments to valuation reserve | Other changes | Dividends distributed | Values as at 30.06.2019 |
|---|---|---|---|---|---|---|---|---|---|
| **Associates** | | | | | | | | | |
| **Direct** | | | | | | | | | |
| Mittel Generale Investimenti S.r.l. | 27,00% | 5.400 | - | - | - | - | - | - | 5.400 |
| Mit.Fin Compagnia Finanziaria S.p.A. | 30,00% | 247 | - | - | (42) | - | - | - | 205 |
| **Via Earchimede S.p.A.** | | | | | | | | | |
| Superpartes S.p.A. | 11,86% | 474 | - | - | (22) | - | - | - | 452 |
| | | **6.121** | **-** | **-** | **(64)** | **-** | **-** | **-** | **6.057** |

## Information on companies subject to joint control and associates

The reconciliation between the summary of the economic-financial data presented and the book value of the investments in jointly controlled companies and associates is detailed below:

| (Thousands of Euro) | Total equity | Pro-rata equity | Goodwill | Other changes | Consolidated book value |
|---|---|---|---|---|---|
| **Companies subject to significant influence:** | | | | | |
| Mittel Generale Investimenti S.r.l. | 22.042 | 5.951 | - | (551) | **5.400** |
| Mit.Fin Compagnia Finanziaria S.p.A. | 683 | 205 | - | - | **205** |
| Superpartes S.p.A. | 770 | 88 | 364 | - | **452** |
| | **23.495** | **6.244** | **364** | **(551)** | **6.057** |
| | **23.495** | **6.244** | **364** | **(551)** | **6.057** |

*Associates*

The income statement and statement of financial position figures as at 30 June 2019 of the associates, adjusted in compliance with IAS/IFRS for application of the equity method for the purposes of preparing the Group consolidated financial statements and the reconciliation between the summary of the economic-financial data presented and the book value of the associates, are detailed below:

| | Mit.Fin Compagnia Finanziaria S.p.A. | Superpartes S.p.A. | Mittel Generale Investimenti S.r.l. |
|---|---|---|---|
| **Companies subject to significant influence** (thousands of Euro) | | | |
| Property, plant and equipment and intangible assets | 4 | 42 | 15 |
| Investments | - | 481 | - |
| Financial receivables | - | 3 | 29.124 |
| Sundry receivables and other assets | 222 | 164 | 21 |
| Deferred tax assets | - | - | 2.869 |
| Cash and cash equivalents | 1.014 | 192 | 1.170 |
| | **1.240** | **882** | **33.199** |
| Share capital | 200 | 331 | 17.000 |
| Share premium | - | 538 | 1.925 |
| Reserves | 622 | 89 | 2.700 |
| Profit (loss) for the year | (139) | (188) | 417 |
| | **683** | **770** | **22.042** |
| Non-current financial payables | - | - | 10.064 |
| Current financial payables | - | 2 | - |
| Provisions for personnel | 31 | 14 | 393 |
| Deferred tax liabilities | - | - | 186 |
| Provisions for risks and charges | - | 50 | 322 |
| Sundry payables and other liabilities | 526 | 46 | 192 |
| | **1.240** | **882** | **33.199** |
| Revenue | 616 | 171 | - |
| Other income | - | - | 13 |

| | | | |
|---|---|---|---|
| Costs for services | (666) | (302) | (195) |
| Personnel costs | (76) | (31) | (154) |
| Other costs | (4) | - | (5) |
| **Gross operating margin (EBITDA)** | **(130)** | **(162)** | **(341)** |
| Amortisation/depreciation | (1) | (4) | (5) |
| Value adjustments to financial assets | - | - | 316 |
| **Operating result (EBIT)** | **(131)** | **(166)** | **(30)** |
| Financial income | - | - | 919 |
| Financial expenses | - | (22) | (265) |
| **Profit (loss) before taxes** | **(131)** | **(188)** | **624** |
| Income taxes | (8) | - | (207) |
| **Profit (loss) for the year (1)** | **(139)** | **(188)** | **417** |
| Other profits/(losses) components net of taxes (2) | - | - | - |
| **Comprehensive profit (loss) (3) = (1) + (2)** | **(139)** | **(188)** | **417** |

There are no significant restrictions on the capacities of investees subject to significant influence to transfer funds to the investor and particularly significant commitments relating to companies subject to significant influence.

It should be noted that, at present there are no commitments deriving from contractual arrangements, particular events or circumstances that could subject the parent company Mittel S.p.A. and its subsidiaries to providing financial support to associates or non-consolidated structured entities which could determine future cash outflows and obligations from unconditional purchase commitments or unrecognised commitments to grant loans or guarantee any other type of financial support, including the intention to assist investees in obtaining financial assistance.

## 7. Financial receivables

These amounted to EUR 39,3 million, down by EUR 6,5 million from the previous period.

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Loans | 38.805 | 45.600 |
| Other receivables | 532 | 200 |
| Security deposits | - | - |
| | **39.337** | **45.800** |

The item “Loans” is composed of outstanding loans of the Parent Company Mittel S.p.A.

The item “Other receivables” includes EUR 0,2 million for a receivable due to Markfactor S.r.l. in liquidation and EUR 0,3 million for the contribution from the newly acquired Galassia S.p.A.

The item “Loans” is composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| - Loans - financial institutions | 9.828 | 9.806 |
| - Loans - customers | 28.977 | 35.794 |
| | **38.805** | **45.600** |

## 8. Other financial assets

These amounted to EUR 16,1 million, down by EUR 1,8 million from the previous period.

The item is composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Financial assets** | | |

| | | |
|---|---|---|
| Equities and fund units | 16.111 | 17.865 |
| Bonds | - | - |
| Derivative financial instruments | - | - |
| | **16.111** | **17.865** |

The item includes equity instruments and fund units, recognised as financial assets measured at fair value, and is composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Equities and fund units:** | | |
| Fondo Augusto | 11.501 | 12.342 |
| Equinox Two S.c.a. | 943 | 1.314 |
| Fondo Cosimo I | 586 | 1.253 |
| SIA - SSB S.p.A. | 1.400 | 1.400 |
| Opera 2 Partecipations S.C.A. | 178 | 178 |
| Medinvest International S.A. | 426 | 426 |
| Investitori Associati II S.A. | 833 | 849 |
| Nomisma S.p.A. | 100 | 100 |
| House Lab S.r.l. | 100 | - |
| Other | 44 | 3 |
| **Bonds:** | | |
| | **16.111** | **17.865** |

The change in non-current financial assets is broken down as follows:

Amounts in thousands of Euro

| Name/company name | Values as at 01.01.2019 | Purchases and subscriptions | Recall of funds (Reimbursements) | Transfers | Capital gains (losses) | Write-downs for impairment | Fair value adjustments | Values as at 30.06.2019 |
|---|---|---|---|---|---|---|---|---|
| **Equities and fund units:** | | | | | | | | |
| Fondo Augusto | 12.342 | - | - | - | - | - | (841) | 11.501 |
| Equinox Two S.c.a. | 1.314 | - | (604) | - | - | - | 234 | 943 |
| Fondo Cosimo I | 1.253 | - | - | - | - | - | (667) | 586 |
| SIA - SSB S.p.A. | 1.400 | - | - | - | - | - | - | 1.400 |
| Opera 2 Partecipations S.C.A. | 178 | - | - | - | - | - | - | 178 |
| Medinvest International S.A. | 426 | - | - | - | - | - | - | 426 |
| Investitori Associati II S.A. | 849 | - | - | - | - | - | (16) | 833 |
| Nomisma S.p.A. | 100 | - | - | - | - | - | - | 100 |
| House Lab S.r.l. | - | 100 | - | - | - | - | - | 100 |
| Other | 3 | 41 | - | - | - | - | - | 44 |
| | **17.865** | **141** | **(604)** | **-** | **-** | **-** | **(1.290)** | **16.111** |

## 9. Sundry receivables and other assets

The “Sundry receivables and other non-current assets” item totalled EUR 0,7 million (EUR 0,9 million as at 31 December 2018) and is composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Tax receivables | 114 | 146 |
| Other receivables | 290 | 475 |
| Other assets | 260 | 280 |
| | **663** | **901** |

## 10. Deferred tax assets

These amounted to EUR 10,2 million, up by EUR 5,6 million from the previous period.

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Tax assets recognised through profit or loss | 10.068 | 4.320 |
| Tax assets recognised in equity | 124 | 266 |
| | **10.192** | **4.586** |

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Deferred tax assets** | | |
| Assets/liabilities held for trading | - | - |
| Investments | - | - |
| Property, plant and equipment/intangibles assets | 63 | 81 |
| Allocations | 131 | 126 |
| Other assets/liabilities | 9.998 | 4.259 |
| Receivables | - | - |
| Losses carried forward | - | 91 |
| Other | - | 29 |
| | **10.192** | **4.586** |

Changes in the item “Tax assets recognised through profit or loss” are as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Opening balance** | **4.320** | **351** |
| **Increases** | **5.772** | **4.134** |
| **Deferred tax assets recorded in the period:** | **-** | **33** |
| - relating to previous years | - | - |
| - other | 3.368 | 33 |
| Increases in tax rates | - | - |
| Other increases | 2.404 | 4.101 |
| **Decreases** | **(24)** | **(164)** |
| **Deferred tax assets cancelled in the period:** | **-** | **(5)** |
| - reversals | - | (5) |
| Decreases in tax rates | - | - |
| Other decreases | (24) | (159) |
| | **10.068** | **4.320** |

Changes in the item “Tax assets recognised in equity” are as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Opening balance** | **266** | **73** |
| **Increases** | **65** | **211** |
| **Deferred tax assets recorded in the period:** | **-** | **-** |
| - relating to previous years | - | - |
| - other | - | - |
| Increases in tax rates | - | - |
| Other increases | 65 | 211 |
| **Decreases** | **(206)** | **(18)** |
| **Deferred tax assets cancelled in the period:** | **(206)** | **-** |
| - reversals | (206) | - |
| Decreases in tax rates | - | - |
| Other decreases | - | (18) |
| | **124** | **266** |

Deferred tax assets are recognised to the extent it is deemed likely that taxable profits will be generated to allow the use of the amount recognised as at 30 June 2019.
Management recorded the deferred tax assets in Group companies up to the value for which it deems their recovery likely, also taking into account a further worsening in the assumptions envisaged over a medium-term period and the fact that the net deferred tax assets allocated refer to temporary differences/tax losses which can be recovered within a time period implicit in the Group’s planning.

As discussed in detail in other sections of this financial report, based on the latent tax benefits and the significant changes to the Group’s perimeter in recent years, which resulted, or will result in the near term, in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical changes in the expectations for the recovery of latent tax benefits, deferred tax assets were allocated beginning last year on the sizeable tax losses and other latent tax benefits that were accrued as part of the tax consolidation in previous years.
As at 30 June 2019, the remaining usable previous losses pertaining to the tax consolidation amount to approximately EUR 48 million, in addition to the excess interest payable that can be used in the tax consolidation of EUR 18 million, for a total tax value (at the tax rate of 24%) of EUR 15 million (against a recognised value in deferred tax assets of EUR 6 million).
In addition to the tax consolidation losses, Mittel S.p.A. recorded, following the positive response received last year to the query submitted, tax losses of EUR 60 million relating to the merged companies Hopa S.p.A. and Tethys S.p.A. Against these losses, which may not be used in the tax consolidation, as significant taxable income is not expected for Mittel S.p.A., deferred tax assets were not recognised.
For the next few years, it is expected that the acquisitions already made, as well as those planned on the basis of the strategies of the plan currently being implemented, will result in the inclusion within the Group's perimeter of additional highly profitable operating companies with substantial taxable income. The latter situation will also allow, through the inclusion of newly acquired companies in the tax consolidation of Mittel S.p.A., the valuation of additional previous tax losses for the Group, currently not valued.

Lastly, note the considerable impact on the item of deferred tax assets allocated on the total equity of entries made following application of IFRS 16, attributable to the fact that these equity effects are temporarily not reflected in taxes (present solely in the consolidated statement of financial position, as they relate to subsidiaries that have not adopted IFRS), which will be reabsorbed over the term of the contracts.

## Current assets

### 11. Inventories

The item amounted to EUR 82,2 million, an increase of EUR 4,0 million compared to the previous year. In particular, the item is composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Property inventories | 54.285 | 64.816 |
| Inventories of goods and products | 23.395 | 9.478 |
| Inventories of raw materials | 4.544 | 3.962 |
| | **82.224** | **78.257** |

*Property inventories*

As far as property inventories are concerned, see the table below:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Gamma Tre S.r.l. | 2.900 | 2.900 |
| Lucianita S.r.l. in liquidation | - | 93 |
| Mittel Investimenti Immobiliari S.r.l. | 33.632 | 44.567 |
| MiVa S.r.l. | 14.254 | 13.757 |
| Parco Mediterraneo S.r.l. | 2.300 | 2.300 |
| Regina S.r.l. | 1.200 | 1.200 |
| **Total** | **54.285** | **64.816** |

The change in the “Property inventories” item is as follows:

| | 31.12.2018 | initiative transfer/other | Increase for capitalisation of costs | Decrease for sales | Write-downs | Changes in advances | 30.06.2019 |
|---|---|---|---|---|---|---|---|
| Gamma Tre S.r.l. | 2.900 | - | - | - | - | - | 2.900 |
| Lucianita S.r.l. in liquidation | 93 | - | - | (93) | - | - | - |
| Mittel Investimenti Immobiliari S.r.l. | 44.567 | - | - | (10.935) | - | - | 33.632 |
| MiVa S.r.l. | 13.757 | - | 521 | - | - | (24) | 14.254 |
| Regina S.r.l. | 1.200 | - | - | - | - | - | 1.200 |
| Parco Mediterraneo S.r.l. | 2.300 | - | - | - | - | - | 2.300 |
| **Total** | **64.816** | **-** | **521** | **(11.027)** | **-** | **(24)** | **54.285** |

The property portfolio includes buildable areas, properties under construction, properties completed for sale and properties held for sale. The properties and buildable areas which fall under the property development projects are valued at the lower of the acquisition cost and the corresponding presumed net realisable value. The cost is increased by the incremental expenses and capitalisable financial expenses. Any impairment to the net realisable value is performed on the basis of an appraisal of the individual properties by external experts.

*Inventories of raw materials, goods and products*

Industrial Group companies contribute to this category of inventories. In particular, the item is broken down as follows:
- EUR 7,5 million for IMC S.p.A.;
- EUR 5,9 million for Ceramica Cielo S.p.A.;
- EUR 0,5 million for Balder S.r.l.;
- EUR 6,1 million for Disegno Ceramica S.r.l.;
- EUR 7,5 million for Galassia S.p.A.;
- EUR 0,3 million for Galassia Group S.r.l.

## 12. Financial receivables

This item amounts to EUR 25 thousand (not present in the previous year)

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Loans | 25 | - |
| Other receivables | - | - |
| Security deposits | - | - |
| | **25** | **-** |

## 13. Tax assets

As at 30 June 2019, the item amounted to EUR 3,7 million, a decrease of EUR 1,7 million compared to the previous year.

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| IRES (corporate income tax) | 3.184 | 4.549 |
| IRAP (regional business tax) | 556 | 864 |
| Other taxes | - | - |
| | **3.740** | **5.413** |

The main components of current IRES (corporate income tax) assets include EUR 1,2 million in tax credits deriving from withholding taxes and advances paid to date by Mittel S.p.A., EUR 651 thousand for Ceramica Cielo S.r.l., EUR 495 thousand for IMC S.p.A., EUR 401 thousand for Galassia S.p.A., EUR 238 thousand for Earchimede S.p.A. and EUR 98 thousand for IRES credits of companies in the property sector.

The IRAP credit is mainly due to payments on account made by Mittel S.p.A. (EUR 153 thousand), IMC S.p.A. (EUR 142 thousand), Balder S.r.l. (EUR 50 thousand), Earchimede S.p.A. (EUR 47 thousand), and the newly acquired companies in the Design sector (EUR 145 thousand).

The item showed the following changes:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Opening balance** | **5.413** | **9.412** |
| **Increases** | **546** | **216** |
| **Current tax assets recorded in the period:** | **-** | **-** |
| - relating to previous years | - | - |
| - other | - | - |
| Other increases | 546 | 216 |
| **Decreases** | **(2.219)** | **(4.214)** |
| **Current tax assets cancelled in the year:** | **-** | **-** |
| - reimbursements | - | - |
| Other decreases | (2.219) | (4.214) |
| | **3.740** | **5.413** |

## 14. Sundry receivables and other assets

As at 30 June 2019, the item amounted to EUR 41,6 million, an increase of EUR 18,4 million, and was composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Trade receivables | 29.066 | 16.825 |
| Other tax receivables | 3.766 | 2.950 |
| Other receivables | 4.314 | 2.277 |
| Accrued income and prepaid expenses | 4.436 | 1.150 |
| | **41.582** | **23.203** |

The item “Trade receivables” is mainly comprised of receivables due from customers deriving from ordinary operations of Group companies.
Tax receivables refer mainly to the Group’s VAT credits of EUR 2,7 million.
The “Other receivables” item is mainly due to the contribution of: (i) the Nursing Home sector for EUR 2,2 million; (ii) the Design sector for EUR 1,4 million, (iii) the Automotive sector for EUR 0,3 million, (iv) Fashion District Group S.r.l. in liquidation for Euro 0,3 million; and (v) Mittel S.p.A. for EUR 0.1 million.
The “Accrued income and prepaid expenses” item is mainly due to the contribution of: (i) the Nursing Homes sector for EUR 3,3 million; (ii) the Automotive sector for EUR 0,3 million, (iii) the Design sector for EUR 0,6 million and (iv) the Parent Company for EUR 0,2 million.

## 15. Cash and cash equivalents

Cash and cash equivalents, amounting to EUR 229,8 million (EUR 223,8 million as at 31 December 2018), include cash held by Group companies and investments in bank deposits. The item is composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Cash | 81 | 224 |
| Bank and postal deposits | 229.701 | 223.598 |
| | **229.782** | **223.822** |

As regards changes in the item, please refer to the consolidated cash flow statement.

## 16. Assets held for sale

The item, which is not present in the current year, amounted to EUR 19,0 million as at 31 December 2018.

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Non-current assets held for sale** | | |
| Investments | - | 1.206 |
| Other non-current assets | - | 17.750 |
| | **-** | **18.956** |

# Statement of financial position - Liabilities

## Equity

### 17. Equity pertaining to the Group

Equity pertaining to the Group stood at EUR 215,1 million, a decrease of EUR 6,1 million from 31 December 2018.

The breakdown of Equity pertaining to the Group is shown in the following table:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Share capital | 87.907 | 87.907 |
| Legal reserve | 16.760 | 16.760 |
| Treasury shares | - | (11.178) |
| Share/holding premium reserve | 53.716 | 53.716 |
| Valuation reserves | (883) | (540) |
| Other reserves | 16.552 | 29.949 |
| Profit (loss) of previous years | 40.685 | 43.215 |
| Profit (loss) for the year | 349 | 1.324 |
| **Equity** | **215.086** | **221.153** |

Changes in equity during the year are shown in detail in the relative schedule to which reference should be made.

*Share capital*

The Shareholders' Meeting resolution of 29 April 2019 approved the cancellation of the 6.559.649 treasury shares previously held by Mittel S.p.A. through the simultaneous elimination of the expressed nominal value of the ordinary shares, thus without reducing the amount of share capital. As a result of this resolution, as at 30 June 2019, the share capital of EUR 87.907.017 was broken down into 81.347.368 shares with no nominal value.

*Treasury shares*

As at 30 June 2019, the Parent Company held no treasury shares. Please refer to the discussion in the preceding paragraph.

*Valuation reserve*

The breakdown and changes in the valuation reserve in the year are shown below:

Amounts in thousands of Euro

| VALUATION RESERVE AT FAIR VALUE | Valuation reserve pertaining to the Group as at 01.10.2019 | Effects of the first-time adoption of IFRS 9 | Fair value changes | | Release of reserve to the income statement for transfers of financial assets | Release of reserve to the income statement for fair value impairment | Valuation reserve pertaining to the Group as at 30.06.2019 | Share pertaining to non-controlling interests as at 30.06.2019 | Total valuation reserve as at 30.06.2019 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Increases | Decreases | | | | | |
| **Cash flow hedge reserve** | | | | | | | | | |
| Hedging derivatives | (155) | - | (62) | | - | - | (217) | (69) | (286) |
| **Total** | **(155)** | **-** | **(62)** | **-** | **-** | **-** | **(217)** | **(69)** | **(286)** |
| **Employee defined benefit plans (IAS 19 revised):** | | | | | | | | | |
| Actuarial reserve | (385) | | (281) | | | - | (666) | (75) | (741) |
| | **(385)** | | **(281)** | **-** | **-** | **-** | **(666)** | **(75)** | **(741)** |
| | **(540)** | **-** | **(343)** | **-** | **-** | **-** | **(883)** | **(144)** | **(1.027)** |

*Other comprehensive income/(expense)*

The value of "Other comprehensive income (expense)" is composed as follows:

| Amounts in thousands of Euro | | | Non-controlling interests | | Profit (loss) pertaining to the Group | |
|---|---|---|---|---|---|---|
| | 01.01.2019 30.06.2019 | 01.01.2018 30.06.2018 | 01.01.2019 30.06.2019 | 01.01.2018 30.06.2018 | 01.01.2019 30.06.2019 | 01.01.2018 30.06.2018 |
| **Profit/(loss) for the period (A)** | **807** | **4.655** | **458** | **1.201** | **349** | **3.454** |
| Effective part of the cash flow hedge instruments | (106) | (108) | (18) | (27) | (88) | (81) |
| Profits/(losses) from recalculation of financial assets | - | (3.239) | - | (218) | - | (3.036) |
| Profits/(losses) from the sale of financial assets | - | | - | - | - | - |
| Release to the income statement of losses for fair value impairment on financial assets | - | | - | - | - | - |
| Profits/(losses) of companies measured using the equity method | - | | - | - | - | - |
| Profits/(losses) from remeasurement of defined benefit plans | (332) | 58 | (31) | 12 | (301) | 46 |
| Tax effect relating to other profits/(losses) | 82 | (12) | 14 | (3) | 68 | 6 |
| **Total other profits/(losses), net of taxes (B)** | **(356)** | **(3.301)** | **(35)** | **(236)** | **(321)** | **(3.065)** |
| **Total comprehensive profit/(loss) (A) + (B)** | **451** | **1.354** | **423** | **965** | **28** | **389** |

The tax effect relating to Other consolidated income/(expense) is composed as follows:

| | 01.01.2019 30.06.2019 | | | 01.01.2018 30.06.2018 | | |
|---|---|---|---|---|---|---|
| | Gross value | Tax expense/benefit | Net value | Gross value | Tax expense/benefit | Net value |
| Effective part of the cash flow hedge instruments | (106) | 26 | (80) | (108) | - | (108) |
| Profits/(losses) from recalculation of financial assets | - | - | - | (3.254) | 15 | (3.239) |
| Profits/(losses) from the sale of financial assets | - | - | - | - | - | - |
| Release to the income statement of losses for fair value impairment on financial assets | - | - | - | - | - | - |
| Profits/(losses) of companies measured using the equity method | - | - | - | - | - | - |
| Profits/(losses) from remeasurement of defined benefit plans | (332) | 56 | (276) | 58 | (12) | 46 |
| Other components of the statement of comprehensive income reclassified to the income statement | - | - | - | - | - | - |
| **Total other profits/(losses)** | **(438)** | **82** | **(356)** | **(3.304)** | **3** | **(3.301)** |

## 18. Non-controlling interests

The breakdown of equity pertaining to non-controlling interests is shown in the following table:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Share capital pertaining to non-controlling interests | 9.697 | 9.299 |
| Treasury shares pertaining to non-controlling interests | - | - |
| Other reserves pertaining to non-controlling interests | 4.994 | 17.975 |
| Non-controlling interests - Reserve from financial assets | - | - |
| Non-controlling interests - Cash flow hedge reserve | (69) | (51) |
| Non-controlling interests - Valuation reserve IAS 19 | (75) | (80) |
| Profit (loss) for the period pertaining to non-controlling interests | 458 | 985 |
| **Equity pertaining to non-controlling interests** | **15.005** | **28.128** |

## Non-current liabilities

### 19. Bond issue

The item “Bond issue”, recognised under current and non-current liabilities for the respective portions falling due, was composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Current portion | 44.938 | 44.844 |
| Non-current portion | 129.365 | 129.256 |
| | **174.303** | **174.100** |

As at 30 June 2019, there were two separate bond issues in place, both listed on the MOT (screen-based bond market):

- “Mittel S.p.A. 2013-2019” loan: a bond at a fixed interest rate of 6,00%, with maturity on 14 July 2019 and half-yearly coupon payment, represented by a residual 47.432.573 bonds with a nominal value of EUR 0,88, for an overall nominal value of EUR 41.740.664;
- “Mittel S.p.A. 2017-2023” loan: a bond at a fixed interest rate of 3,75%, with maturity on 27 July 2023 and half-yearly coupon payment, represented by 144.709.182 bonds with a nominal value of EUR 0,895, for an overall nominal value of EUR 129.514.718.

As at 30 June 2019, the book value of the liability for bonds breaks down as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **“Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75%** | | |
| Current portion | 2.049 | 2.089 |
| Non-current portion | 129.365 | 129.256 |
| **Total "Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75%** | **131.414** | **131.345** |
| **"Mittel S.p.A. 2013-2019" bonds, fixed rate 6%** | | |
| Current portion | 42.889 | 42.755 |
| Non-current portion | - | - |
| **Total "Mittel S.p.A. 2013-2019" bonds, fixed rate 6%** | **42.889** | **42.755** |
| ***Total bonds*** | ***174.303*** | ***174.100*** |

The table below shows the differentials between the face values of each bond issue (including the coupon accrued at 30 June 2019) and the book values of the same. This difference is due to the application of the amortised cost method. The differentials shown provide the residual measure of capitalised costs on liabilities that will be recognised as financial expenses in subsequent years at the effective interest rate, as required by IFRS 9.

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Current portion** | | |
| "Mittel S.p.A. 2013-2019" bonds, fixed rate 6% (coupon in the process of maturity) | 1.252 | 1.180 |
| “Mittel S.p.A. 2013-2019" bonds, fixed rate 6% (repayment value at maturity) | 41.741 | 41.741 |
| **Non-current portion** | | |
| “Mittel S.p.A. 2013-2019" bonds, fixed rate 6% (repayment value at maturity) | | |
| **Total nominal repayment** | **42.993** | **42.921** |
| Measurement at amortised cost | (104) | (166) |
| **Total book value** | **42.889** | **42.755** |

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Current portion** | | |
| "Mittel S.p.A. 2017-2023" bonds, fixed rate 3,75% (coupon in the process of maturity) | 2.049 | 2.089 |
| **Non-current portion** | | |
| "Mittel S.p.A. 2017-2023" bonds, fixed rate 3,75% (repayment value at maturity) | 129.515 | 129.515 |
| **Total nominal repayment** | **131.564** | **131.604** |
| Measurement at amortised cost | (150) | (259) |
| **Total book value** | **131.414** | **131.345** |

The fair value as at 30 June 2019 of the bond issues is as follows:
- for the 2013-2019 bond, EUR 43,0 million;
- for the 2017-2023 bond, EUR 133,8 million;

Prospectuses and regulations for the two outstanding bond issues are available on the website www.mittel.it, in the "Investor Relations" section.

The 2013-2019 bond reached maturity in July 2019 and was fully repaid.

The 2017-2023 loan requires that, 36 months after the bond issue, Mittel S.p.A. has the right to proceed at its discretion to the total or partial repayment of the loan at a redemption price:
- equal to the nominal value to be repaid plus an amount equal to half of the coupon, between the expiry of the third year (excluded) and the expiry of the fourth year (included);
- equal to the nominal value to be repaid plus an amount equal to a quarter of the coupon between the expiry of the fourth year (excluded) and the expiry of the fifth year (included);
- equal to the nominal value after the expiry of the fifth year (excluded).

## 20. Financial payables

As at 30 June 2019, the item amounted to EUR 226,8 million, an increase of EUR 171,7 million over the previous year.

The item is composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Bank loans | 50.676 | 47.084 |
| Other loans | 1.965 | 1.896 |
| Financial lease payables | - | 5.465 |
| Other financial payables | 665 | 716 |
| Liabilities for rights of use | 173.532 | - |
| | **226.837** | **55.162** |

The main contributions to the "Bank loans" item are as follows: IMC S.p.A. for EUR 20,4 million, the Nursing Home sector for EUR 16,1 million, Mittel Design S.r.l. for EUR 3,9 million, Ceramica Cielo S.p.A. for EUR 1,9 million, Disegno Ceramica S.r.l. for EUR 1,3 million, Galassia Group S.r.l. for EUR 3,4 million, and Galassia S.p.A. for EUR 3,7 million.
The "Other loans" item consists of the loan from the third party shareholder of IMC S.p.A., represented by the selling party of the company, which reinvested in the vehicle Mittel Automotive S.r.l. with a 25% interest, also participating proportionally in the share of the equity of the company financed with shareholders' debt. The debt was transferred to IMC S.p.A. as a result of the reverse merger through incorporation of Mittel Automotive S.r.l. into IMC S.p.A., which was completed in December 2017.

Other financial payables are attributable to: (i) Ceramica Cielo S.p.A. for EUR 0,2 million and (ii) Zaffiro Sanremo S.r.l., for EUR 0,5 million.

Liabilities for rights of use derive from lease contracts. These liabilities represent the present value of future lease payments during the lease term.

Lease liabilities are shown in the statement of financial position as follows:

(valori in Euro migliaia)

| | 30/06/2019 | Effetto FTA IFRS16 01/01/2019 |
|---|---|---|
| Passività per leasing a breve termine | (5.059) | (3.188) |
| Passività per leasing a lungo termine | (173.532) | (131.423) |
| **Totale passività per leasing** | **(178.591)** | **(134.611)** |

(valori in Euro migliaia)

| | 30/06/2019 |
|---|---|
| Interessi relativi a beni in leasing | (2.222) |
| Costi relativi a leasing di breve termine e ai beni di modico valore | - |
| **Totale passività per leasing** | **(2.222)** |

The effect from first-time application of IFRS 16 as at 1 January 2019 is equal to EUR 134.610 thousand, primarily related to lease contracts on properties that are instrumental for activities of the lessee companies of the Group (mainly in the Nursing Home sector).

## 21. Other financial liabilities

As at 30 June 2019, the item amounted to EUR 0,4 million (EUR 0,2 million as at 31 December 2018).

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Derivative financial instruments | 356 | 210 |
| Other liabilities | - | - |
| | **356** | **210** |

The item “Derivative financial instruments” consists of the contribution from Gruppo Zaffiro S.r.l. for EUR 143 thousand, from IMC S.p.A. for EUR 128 thousand, from Ceramica Cielo S.p.A. for EUR 15 thousand and from Galassia S.p.A. for EUR 69 thousand.

## 22. Provisions for personnel

As at 30 June 2019, the item amounted to EUR 6,9 million, an increase of EUR 1,6 million from the previous period, and was composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Employee severance indemnity | 6.886 | 5.284 |
| Other allowances | 63 | 44 |
| | **6.949** | **5.328** |

Changes in employee severance indemnity in the year were as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Opening balances** | **5.284** | **4.772** |
| **Increases:** | | |
| - Allocation for the period | 710 | 1.436 |
| - Increase due to business combinations | 1.242 | 233 |
| - Other increases | 391 | 76 |
| Decreases: | | |
| - Utilisations | (368) | (147) |
| - Other decreases | (374) | (1.086) |
| | **6.886** | **5.284** |

The valuation was performed on the basis of IAS 19, given that Employee Severance Indemnity is similar to a "post-employment benefit" of the "defined benefit plan" type, whose amount already accrued must be projected to the future to estimate the amount to be paid when the employment relationship ends and must then be discounted, using the "Projected unit credit method", to take account of the time that will elapse before the actual payment.

The actuarial assumptions adopted refer to:

a) assumptions regarding the causes of exit from the Group: death, total and permanent disability, staff turnover, such as resignations, dismissals and retirement due to seniority and old age;

b) economic and financial assumptions: rate of discounting of future services; salary growth curve, which determines the trend in remuneration; annual inflation and the rate of return recognised annually on accrued employee severance indemnity;

c) additional assumptions were formulated on the frequency of advances on employee severance indemnity, on tax withholdings and, on the whole, on the legislation in force.

All assumptions used in the valuations, given the small sample size of the community in question, were based on market experiences, and reflect the current corporate, legislative and existing market conditions at the valuation date, on a going-concern basis.

AA-rated EUR Composite rates were used for discounting.

As regards the quantification of employee severance indemnity, governed by art. 2120 of the Italian Civil Code, a portion of 7,41% of the amount of projected remuneration was calculated for each year of service, valid for employee severance indemnity purposes and due for the same year. From the amount thus obtained, 0,5% was subtracted for the financing of the employee severance indemnity (TFR) guarantee fund established at INPS (National Social Security Institute).
The amount of salary projected in future years has been estimated, for each employee, annually increasing the salary of the year to which the valuation refers, valid for employee severance indemnity purposes, based on the projected inflation rate (2% for 2019 and beyond) and other contractual increases. The projections also take account of any employee severance indemnity additions, communicated by the Parent Company.
For revaluation purposes, with the exclusion of the portion accrued in the year, employee severance indemnity is increased each year through the application of a rate with a fixed component of 1,50% and a variable component of 75% of the projected inflation rate. Substitute income tax of 17% is applied on annual returns (this rate was raised from 11% to 17% due to the legislative amendment pursuant to art. 1, paragraph 623 of Law no. 190 of 23 December 2014 – 'Stability Law').
For each of the basic assumptions, an analysis was performed of the effect on the results of actuarial evaluations of a 10% increase or decrease in said amount. One amount was varied at a time, without prejudice to all other amounts.

## 23. Deferred tax liabilities

These amounted to EUR 8,0 million (EUR 7,0 million as at 31 December 2018) and include deferred taxes calculated on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

The item is composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Tax liabilities recognised through profit or loss | 7.977 | 6.968 |
| Tax liabilities recognised in equity | 30 | 73 |
| | **8.007** | **7.041** |

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Deferred liabilities** | | |
| Receivables | 20 | 18 |
| Assets/liabilities held for sale | 22 | 22 |
| Investments | - | - |
| Property, plant and equipment/intangibles assets | 7.874 | 6.265 |
| Other assets/liabilities | 91 | 735 |
| Other | - | 1 |
| | **8.007** | **7.041** |

This item is primarily broken down into: (i) EUR 4,9 million from the contribution of IMC S.p.A.; (ii) EUR 1,2 million from companies in the Nursing Home sector; (iii) EUR 1,2 million from Galassia Group S.r.l.; and (iv) EUR 0,6 million from Disegno Ceramica S.r.l.

Changes in the item “Tax liabilities recognised through profit or loss” are as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Opening balance** | **6.968** | **10.165** |
| **Increases** | **2.211** | **2.032** |
| **Deferred taxes recorded in the period:** | **-** | **-** |
| - relating to previous years | - | - |
| - other | - | - |
| Increases in tax rates | - | - |
| Other increases | 2.211 | 2.032 |
| **Decreases** | **(1.202)** | **(5.229)** |
| **Deferred taxes cancelled in the period:** | **(1.202)** | **(1)** |
| - reversals | (1.202) | (1) |
| Decreases in tax rates | - | - |
| Other decreases | - | (5.229) |
| | **7.977** | **6.968** |

Changes in the item “Tax liabilities recognised in equity” are as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Opening balance** | **73** | **57** |
| **Increases** | **-** | **16** |
| **Deferred taxes recorded in the period:** | **-** | **-** |
| - relating to previous years | - | - |
| - other | - | - |
| Increases in tax rates | - | - |
| Other increases | - | 16 |
| **Decreases** | **(43)** | **-** |
| **Deferred taxes cancelled in the period:** | **-** | **-** |
| - reversals | - | - |
| Decreases in tax rates | - | - |
| Other decreases | (43) | - |

| | | |
|---|---|---|
| | 30 | 73 |

## 24. Provisions for risks and charges

As at 30 June 2019, the item amounted to EUR 1,9 million, an increase of EUR 0,4 million from the previous period, and was composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Provision for risks:** | | |
| Legal disputes | 753 | 898 |
| Disputes with personnel | - | - |
| Other disputes | 550 | 566 |
| **Other provisions:** | | |
| Other | 632 | 41 |
| | **1.935** | **1.506** |

The item saw the following changes:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Opening balance** | **1.506** | **2.262** |
| **Increases:** | | |
| Allocation for the period | 10 | 284 |
| Other increases | 646 | 251 |
| **Decreases:** | - | - |
| Utilisations | (210) | (1.099) |
| Other decreases | (16) | (193) |
| | **1.935** | **1.506** |

The “Provision for risks and charges” item is composed mostly of allocations made by the Parent Company Mittel S.p.A. for EUR 0,4 million, Fashion District Group S.r.l. in liquidation for EUR 0,6 million, the Real Estate sector for EUR 0,2 million, Mittel Advisory S.r.l. in liquidation for EUR 0,2 million, companies in the Nursing Home sector for EUR 0,4 million, and Disegno Ceramica S.r.l. for EUR 0,1 million.
The provision of the Parent Company Mittel S.p.A. of EUR 0.4 million is attributable to the allocation based on the best estimate of legal costs associated with pending legal disputes (with related risk of the dispute improbable and therefore not subject to allocation, in line with the provisions of IAS 37). The provision for Fashion District Group S.r.l. in liquidation, amounting to EUR 0,6 million, refers to a tax dispute concerning the classification of properties previously held in Molfetta.

## 25. Sundry payables and other non-current liabilities

These amounted to EUR 0,9 million (EUR 0,2 million as at 31 December 2018) and mainly refer to the contribution from Disegno Ceramica S.r.l. for EUR 0,8 million and the real estate sector for EUR 0,1 million.

## Current liabilities

### 26. Bonds

These amounted to EUR 44,9 million and refer to the entire value of the "Mittel S.p.A. 2013-2019" loan, maturing in July 2019, and the coupon that is accruing on the "Mittel S.p.A. 2017-2023" loan. For more details, see note 19.

### 27. Financial payables

The item totalled EUR 22,4 million, down by EUR 11,8 million.

The item is composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Bank loans | 9.185 | 755 |
| Current portion of medium/long-term bank loans | 7.323 | 8.776 |
| Other loans | 783 | 97 |
| Other financial payables | 90 | 1.042 |
| Liabilities for rights of use | 5.059 | - |
| | **22.439** | **10.669** |

Bank loans are composed of hot money or other short-term credit facilities granted by leading banks, regulated at rates indexed to the 1-3 month Euribor with short-term expiry, of which (i) EUR 5,0 million related to Galassia S.p.A., (ii) EUR 2,5 million related to Disegno Ceramica S.r.l., (iii) EUR 0,4 million related to Galassia Group S.r.l., and (iv) EUR 1,3 million related to the Nursing Home sector companies.

The "Current portion of medium/long-term bank loans" item mainly includes EUR 5,5 million for the companies of the Nursing Home sector, EUR 0,8 million for Mittel Design S.r.l., and EUR 1,0 million for Ceramica Cielo S.p.A.

The item "Other loans" includes mainly the contribution from companies in the Nursing Home sector.

The item "Liabilities for rights of use" is due to the effect of first-time application of IFRS 16. Please refer to the discussion in the comment to the corresponding item in non-current liabilities.

### 28. Other current financial liabilities

This item amounted to EUR 12,0 million, down by EUR 1,2 million compared to 31 December 2018.

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Derivative financial instruments | - | - |
| Other liabilities | 12.032 | 13.200 |
| | **12.032** | **13.200** |

The item, equal to EUR 12,0 million, refers to the contribution from Gruppo Zaffiro S.r.l. and is attributable to the alignment of the earn-out liability to the best estimate of the expected disbursement based on the contractual terms and the trend in the underlying drivers. The liability was partly paid in July and the remaining portion will be settled during 2020.

## 29. Current tax liabilities

This item totalled EUR 1,4 million, an increase of EUR 1,2 million from the prior year, and is composed of tax liabilities broken down as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| IRES (corporate income tax) | 69 | 4 |
| IRAP (regional business tax) | 1.281 | 133 |
| Other | - | - |
| | **1.350** | **137** |

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Opening balance** | **137** | **1.626** |
| **Increases** | **1.217** | **32** |
| **Current tax liabilities recorded in the period:** | **-** | **-** |
| - relating to previous years | - | - |
| - other | - | - |
| Other increases | 1.217 | 32 |
| **Decreases** | **(4)** | **(1.521)** |
| **Current tax liabilities cancelled in the period:** | **-** | **-** |
| - reimbursements | - | - |
| Other decreases | (4) | (1.521) |
| | **1.350** | **137** |

The item mainly consists of the contribution of companies in the Nursing Home sector for EUR 782 thousand, Ceramica Cielo S.p.A. for EUR 280 thousand, Disegno Ceramica S.r.l. for EUR 130 thousand, IMC S.p.A. for EUR 84 thousand, and Balder S.r.l. for EUR 58 thousand.

## 30. Sundry payables and other liabilities

This item amounted to EUR 50,0 million, down by EUR 22,2 million compared to the previous year. The item is composed as follows:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Trade payables | 32.024 | 17.408 |
| Tax payables | 4.030 | 1.855 |
| Payables relating to employees | 4.896 | 3.089 |
| Payables due to directors and statutory auditors | 519 | 613 |
| Payables due to social security institutions | 2.610 | 1.672 |
| Other payables | 3.963 | 2.541 |
| Accrued expenses and deferred income | 1.968 | 673 |
| | **50.010** | **27.851** |

The “Trade payables" item mainly includes: EUR 6,9 million for IMC S.p.A., EUR 6,2 million for Ceramica Cielo S.p.A., EUR 5,9 million for the companies in the Nursing Home sector, EUR 4,7 million for Galassia S.p.A., EUR 4,0 million for Disegno Ceramica S.r.l., EUR 2,1 million for the Parent Company Mittel, EUR 0,7 million for companies in the Real Estate sector, EUR 0,7 million for Mittel Design S.r.l., EUR 0,4 million for Balder S.r.l., and EUR 0,2 million for Mittel Advisory S.r.l. in liquidation.

The “Other payables” item is mainly explained by:
(i) EUR 1,4 million for advances from customers received by IMC S.p.A.;

(ii) EUR 1,0 million from the contribution of companies in the Nursing Home sector (including advances from customers for EUR 0,8 million);
(iii) EUR 0,7 million from advances and earnest money received by the real estate companies;
(iv) EUR 0,7 million from advances received by the Parent Company.

## 31. Liabilities held for sale

This item, which is not present as at 30 June 2019, was equal EUR 0,5 million as at 31 December 2018.

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Groups of liabilities held for sale** | | |
| Liabilities | - | 542 |
| | **-** | **542** |

## 32. Revenue

The breakdown of revenue is shown below, with the main types highlighted:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Revenue from property sales | 12.242 | 5.622 |
| Revenue from rent | 127 | 123 |
| Revenue from provision of services | 14.219 | 11.312 |
| Other revenue | 39.503 | 41.003 |
| | **66.091** | **58.060** |

The “Revenue from property sales” item refers to revenue from sales of property inventories. In particular, it consists of the contribution from Mittel Investimenti Immobiliari S.r.l. for EUR 12,1 million, which reflects in turn the sales of property units on the contracts for Santorre di Santarosa, Arluno, and Paderno Dugnano (Milan).

The item “Revenue from rent” relates primarily to revenues from lease agreements in place with Mittel Investimenti Immobiliari S.r.l. for EUR 105 thousand.

Revenue from provision of services (EUR 14,2 million) refers essentially to services provided by companies in the Nursing Home sector.

The item “Other revenue” includes EUR 18,8 million for the Automotive sector, EUR 14,9 million for Ceramica Cielo S.p.A., EUR 5,8 million for revenue earned by companies in the Nursing Home sector (contributions reimbursed by local healthcare providers).

As required by IFRS 15, the following table provides a breakdown of revenues from contracts with customers, using in particular the reference geographic market as the driver of the disaggregation. Moreover, a reconciliation is provided of disaggregated revenues with the Group’s operating sectors for reporting purposes.

| Geographic market | Operating sector | | | | | | Total |
|---|---|---|---|---|---|---|---|
| | Automotive | Nursing Homes | Design | Real Estate | Advisory | Investments | |
| Italy | 3.669 | 19.965 | 9.926 | 12.347 | 6 | 93 | **46.006** |
| Abroad | 15.102 | - | 4.983 | - | - | - | **20.085** |
| | **18.771** | **19.965** | **14.909** | **12.347** | **6** | **93** | **66.091** |

## 33. Other income

The breakdown of the item is shown in the following table:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Recoveries of various expenses | - | |
| Extraordinary contingent assets | 563 | 636 |
| Income from elimination of assets | 75 | 7 |
| Other revenue and income | 1.327 | 796 |
| | **1.965** | **1.439** |

The item “Contingent assets” mainly consists of the contribution of Ceramica Cielo S.p.A. (EUR 0,4 million) and Mittel Advisory S.r.l. in liquidation (EUR 0,1 million).

The “Income from elimination of assets” item is principally due to the disposal of property, plant and equipment by IMC S.p.A.

The “Other revenue and income” item is mainly composed of the contribution of Ceramica Cielo S.p.A. (EUR 0,7 million) and companies in the Nursing Home sector (EUR 0,6 million).

## 34. Changes in inventories

The breakdown of this item is shown below, with the main types highlighted:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Increases in property inventories | 484 | 140 |
| Decreases in property inventories | (11.065) | (4.731) |
| Impairment losses in property inventories | - | - |
| Change in inventories of goods and products | 1.162 | (315) |
| Change in inventories of raw materials | (470) | 1.329 |
| Impairment losses in inventories | - | - |
| | **(9.890)** | **(3.576)** |

As regards the changes in items relating to property inventories, see the information set forth in the tables and comments in the corresponding item in the statement of financial position (note 11).
With regard to the changes in goods, products and raw materials items, I.M.C. S.p.A. contributed EUR 0,6 million, Ceramica Cielo S.p.A. contributed EUR 0,5 million, and Balder S.r.l. contributed negative EUR 0,4 million.

## 35. Costs for purchases

The breakdown of the item is shown in the following table:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Purchases and property increases | (17.744) | (17.984) |
| Provision of services and consultancy | (121) | (50) |
| Urbanisation expenses | - | (37) |
| Insurance | (4) | (5) |
| Maintenance | (142) | (123) |
| Other | (40) | (54) |
| | **(18.052)** | **(18.253)** |

The contribution to this item is mainly due to IMC S.p.A. (EUR 10,4 million), Ceramica Cielo S.p.A. (EUR 5,0 million), companies in the Nursing Home sector (EUR 1,2 million), Balder S.r.l. (EUR 0,7 million) and companies in the Real Estate sector (EUR 0,6 million).

## 36. Costs for services

The breakdown of the item is shown in the following table:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Legal consultancy | (405) | (183) |
| Notary consultancy | (141) | (90) |
| Other consultancy | (1.928) | (1.298) |
| General services and maintenance | (2.857) | (2.963) |
| Administrative, organisational and audit services | (218) | (151) |
| Cost of temporary workers | - | (37) |
| Directors' fees | (1.058) | (1.178) |
| Board of Statutory Auditors’ fees | (170) | (176) |
| Supervisory Body’s fees | (29) | (59) |
| Fees for prosecutors and Manager in charge | (8) | (8) |
| Rentals | 24 | (3.247) |
| Leases | (784) | (73) |
| Insurance | (260) | (273) |
| Utilities | (1.998) | (1.634) |
| Advertising | (456) | (690) |
| Others | (1.409) | (1.256) |
| | **(11.699)** | **(13.317)** |

Costs for services are primarily attributable to: Nursing Home sector companies (EUR 3,9 million), Ceramica Cielo S.p.A. (EUR 3,2 million), Mittel S.p.A. (EUR 1,2 million), IMC S.p.A. (EUR 1,2 million), Balder S.r.l. (EUR 0,3 million), the Real Estate sector (EUR 1,1 million), and Mittel Design S.r.l. (EUR 0,7 million).

## 37. Personnel costs

The breakdown of the item is shown in the following table:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Wages and salaries | (12.621) | (10.423) |
| Social security costs | (3.576) | (3.245) |
| Allocation to employee severance indemnity | (593) | (783) |
| Payments to external supplementary pension funds | (14) | (16) |
| Other personnel costs | (598) | (688) |
| | **(17.402)** | **(15.155)** |

In particular, personnel costs include EUR 9,2 million from the Nursing Home sector, EUR 3,5 million from Ceramica Cielo S.p.A., EUR 2,5 million from IMC S.p.A., EUR 1,6 million from the Parent Company Mittel’s contribution, EUR 0,4 million from Balder S.r.l., EUR 0,1 million from Mittel Investimenti Immobiliari S.r.l.

Average number of Group employees broken down by category:

| | Exact number at 30 June 2019 | Half-year average 2019 | Average in the year 2018 |
|---|---|---|---|
| Managers | 14 | 11 | 12 |
| Officials | 33 | 22 | 22 |
| Employees | 142 | 117 | 114 |
| Blue-collar staff | 962 | 785 | 754 |

| Total | 1.151 | 935 | 902 |
|---|---|---|---|

## 38. Other costs

The breakdown of the item is shown in the following table:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Taxes and duties | (661) | (785) |
| Losses on receivables | (2) | (88) |
| Capital losses from transfer of property, plant and equipment | (254) | (1) |
| Extraordinary contingent liabilities | (323) | (94) |
| Other sundry operating expenses | (263) | (345) |
| | **(1.504)** | **(1.313)** |

The “Taxes and duties” item is primarily attributable to the contribution from Mittel S.p.A. of EUR 0,2 million (for indirect taxes, mainly non-deductible VAT), the Real Estate sector for EUR 0,1 million, the Nursing Home sector for EUR 0,2 million, and Ceramica Cielo S.p.A. for EUR 0,1 million.

Capital losses from transfer of property, plant and equipment are entirely related to companies in the Nursing Home sector.

Extraordinary contingent liabilities are principally made up of the contribution from: Fashion District Group S.r.l. in liquidation for EUR 139 thousand, companies in the Nursing Home sector for EUR 103 thousand, the Parent Company Mittel S.p.A. for EUR 40 thousand, IMC S.p.A. for EUR 14 thousand, real estate companies for EUR 14 thousand, and Ceramica Cielo S.p.A. for EUR 12 thousand.

Other operating expenses refer mainly to the Parent Company Mittel S.p.A. (EUR 95 thousand), Ceramica Cielo S.p.A. (EUR 101 thousand), the Nursing Home sector (EUR 46 thousand), the Automotive sector (EUR 16 thousand), and the Real Estate sector (EUR 2 thousand).

## 39. Amortization and value adjustments to intangible assets

The breakdown of the item is shown in the following table:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| **Intangible assets** | | |
| Amortisation/depreciation | (68) | (46) |
| Reversals of impairment losses | 26 | - |
| | | |
| **Property, plant and equipment** | | |
| Depreciation of other assets owned | (2.862) | (2.721) |
| Amortisation of rights of use | (3.099) | - |
| | **(6.003)** | **(2.768)** |

In more detail, this item is mainly composed of contributions from the Nursing Home sector (EUR 2.7 million, of which EUR 2,4 million for rights of use), IMC S.p.A. (EUR 2,6 million, of which EUR 0,6 million for rights of use), Ceramica Cielo S.p.A. (EUR 0.6 million, of which EUR 0,1 million for rights of use), Balder S.r.l. (EUR 0.1 million), and Mittel S.p.A. (EUR 49 thousand, of which EUR 13 thousand for rights of use).

## 40. Allocations to the provision for risks

The breakdown of the item is shown in the following table:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| **Provisions for ongoing disputes:** | | |
| for legal disputes | - | 23 |
| other provisions | (55) | (257) |
| | **(55)** | **(234)** |

The item "Other provisions" refers mainly to the effect of the allocations made by companies in the Nursing Home sector for EUR 31 thousand, Mittel Advisory S.r.l. in liquidation for EUR 10 thousand, and IMC S.p.A. (EUR 14 thousand).

## 41. Share of income (loss) of investments accounted for using the equity method

The item includes:

- the pro-rata profit/(loss) of the net result of companies valued using the equity method, including any impairment;
- write-downs/(reversals) of fair value of investments measured using the equity method;
- capital gains/(losses) on the disposal of investments measured using the equity method;
- capital gains/(losses) corresponding to the net economic result of the period of investments no longer fully consolidated, due to the disposal of the controlling interest in the same;
- any impairment losses of investees exceeding the respective book value to the extent corresponding to the actual obligations for the coverage of losses and with a contra-item in the form of an allocation to the provision for risks.

The item is composed as follows:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| **Pro-rata profits** | | |
| | **-** | **-** |
| **Pro-rata losses** | | |
| Mit-Fin S.p.A. | (42) | - |
| Superpartes S.p.A. | (18) | (18) |
| Bios S.p.A. | - | (567) |
| | **(60)** | **(585)** |
| | **(60)** | **(585)** |

## 42. Financial income

The item is composed as follows:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Bank interest income | 103 | 355 |
| Interest income on financial receivables | 652 | 1.641 |
| Other interest income | 383 | 56 |
| Other financial income | 1.169 | 21 |
| Exchange rate gains | - | 10 |
| | **2.307** | **2.082** |

Interest income on financial receivables relates mainly to the contribution of the Parent Company Mittel S.p.A. for loans outstanding (EUR 651 thousand).
Other interest income relates mainly to the contribution of the Parent Company Mittel S.p.A. (EUR 382 thousand).
The contribution to the item “Other financial income” is entirely attributable to Gruppo Zaffiro S.r.l. and refers to the updating of the earn-out estimate, described in the comment to the note on the corresponding statement of financial position item.

## 43. Financial expenses

The item is composed as follows:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Interest expense on bonds | (3.883) | (3.872) |
| Interest expense on bank current accounts | (10) | (382) |
| Interest expense on bank loans | (463) | (358) |
| Interest expense on other loans | (371) | (180) |
| Other interest expenses | (195) | (167) |
| Other financial expenses | (2.364) | (215) |
| | **(7.298)** | **(5.185)** |

The “Interest expense on bonds” item is attributable to the recognition of interest expense on bonds issued by Mittel S.p.A. for the first half, calculated with the effective interest rate method.
The main contribution to the item “Interest expense on bank loans” is from companies in the Nursing Home sector for EUR 384 thousand and Mittel Design S.r.l. for EUR 65 thousand.
IMC S.p.A. was the main contributor to the item “Interest expense on other loans”, accounting for EUR 367 thousand.
Other financial expenses are related to the companies in the Nursing Home sector (EUR 2,1 million, of which EUR 2,0 million for rights of use), Mittel S.p.A. (EUR 62 thousand, of which EUR 56 thousand for rights of use), IMC S.p.A. (EUR 215 thousand, of which EUR 197 thousand for rights of use), and Ceramica Cielo S.p.A. (EUR 32 thousand, of which EUR 17 thousand for rights of use).

## 44. Dividends

The breakdown of the item is shown in the following table:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Dividends from financial assets | 183 | 183 |
| Dividends from investments | - | 32 |
| Other | - | - |
| | **183** | **215** |

The item “Dividends” is entirely attributable to Mittel S.p.A. and, in particular, the distribution carried out during the period by the investee Sia S.p.A.

## 45. Profit (loss) from management of financial assets and investments

The breakdown of the item is shown in the following table:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Financial assets | | |
| Capital gains (losses) from transfer of receivables | - | - |
| Capital gains (losses) from transfer of investments | 83 | - |
| Capital gains (losses) from change in equity interest | - | - |
| Reversals/impairment losses on equity | - | - |
| | **83** | **-** |

The item “Capital gains from transfer of investments” consists of the contribution from Mittel Advisory S.r.l. in liquidation relative to the sale of the equity investment in Ethica & Mittel Debt Advisory S.r.l., concluded in January 2019.

## 46. Value adjustments to financial assets, loans and receivables

The breakdown of the item is shown in the following table:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Write-downs on financial receivables | - | 501 |
| Write-downs on other receivables | (28) | (22) |
| Write-downs on financial assets | (1.524) | 1.224 |
| Reversals of impairment losses on financial assets | 234 | - |
| | **(1.318)** | **1.703** |

Write-downs on other receivables refer mainly to the contribution of Ceramica Cielo S.p.A. for EUR 22 thousand and from Zaffiro Martignacco S.r.l. for EUR 6 thousand.

Write-downs of financial assets are primarily attributable to value adjustments recognised by the Parent Company Mittel (EUR 1,5 million) for Fondo Augusto (EUR 0,8 million) and Fondo Cosimo (EUR 0,7 million). The item “Reversals of impairment losses on financial assets” refers to the recovery recognised by Mittel S.p.A. and Earchimede S.p.A. on Equinox Two (EUR 234 thousand).

## 47. Income taxes

The amount is composed as follows:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| IRES (CORPORATE INCOME TAX) | (91) | (276) |
| IRAP (REGIONAL BUSINESS TAX) | (1.053) | (586) |
| Taxes of previous years | 34 | 98 |
| **Total current taxes** | **(1.111)** | **(764)** |
| Deferred tax liabilities | 1.202 | 2.239 |
| Deferred tax assets | 3.368 | 67 |
| **Total deferred taxes** | **4.570** | **2.306** |
| Other taxes | - | - |
| **Total income taxes** | **3.459** | **1.542** |

## 48. Income (loss) pertaining to non-controlling interests

The item is composed as follows:

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Profit (loss) of non-controlling interests | 458 | 1.201 |
| | **458** | **1.201** |

## 49. Basic and diluted earnings (loss) per share

As set forth in IAS 33, the Mittel Group shows basic earnings per share calculated as net profit or loss for the year attributable to the Parent Company divided by the weighted average number of shares outstanding in the year; diluted earnings are calculated by adjusting net profit or loss attributable to holders of ordinary equity instruments of the Parent Company Mittel S.p.A. to take account of the effects of all potential ordinary shares with a dilutive effect.

In particular, basic and diluted earnings per share are calculated as follows:

- *Basic earnings or loss per share:*
  Basic earnings or loss per share are determined by dividing the profit or loss attributable to holders of ordinary equity instruments of the Parent Company Mittel S.p.A. by the weighted average of ordinary shares outstanding during the year.
- *Diluted earnings or loss per share:*
  As required by IAS 33, diluted earnings (loss) per share should take account of the effects of all potential ordinary shares with a dilutive effect.

Basic and diluted earnings or loss per share attributable to the Parent Company as at 30 June 2019, compared with the corresponding period of the previous year, are as follows:

| Earnings/(loss) per share attributable to the Parent Company (in Euro) | 30.06.2019 | 30.06.2018 |
|---|---|---|
| From income statement: | | |
| - Basic | 0,004 | 0,045 |
| - Diluted | 0,004 | 0,045 |
| From comprehensive income: | | |
| - Basic | 0,000 | 0,005 |
| - Diluted | 0,000 | 0,005 |

### Basic earnings or loss per share

During the period ended 30 June 2019, the number of shares outstanding changed as follows:

| Number of shares | 30.06.2019 | 30.06.2018 |
|---|---|---|
| (no. ordinary shares) | | |
| No. of shares at start of the period | 87.907.017 | 87.907.017 |
| Average weighted number of ordinary shares subscribed in the period | - | - |
| No of treasury shares at start of the period | (6.559.649) | (12.357.402) |
| Average weighted number of treasury shares acquired in the period | | |
| Average weighted number of treasury shares sold in the period | - | 1.665.653 |
| Potential dilution of ordinary shares | | |
| **Average weighted number of shares outstanding at the end of the period** | **81.347.368** | **77.215.268** |

The consolidated basic earnings or loss per share attributable to the Parent Company as at 30 June 2019, compared with the half-year of the previous year, are as follows:

| Euro/thousand | | |
|---|---|---|
| **Net profit/(loss) attributable to the Parent Company** | **349** | **3.454** |

| EUR | | |
|---|---|---|
| **Basic earnings/(loss) per share attributable to the Parent Company** | **0,004** | **0,045** |

The consolidated comprehensive basic earnings or loss per share attributable to the Parent Company as at 30 June 2019, compared with the half-year of the previous year, are as follows:

| Euro/thousand | | |
|---|---|---|
| **Total comprehensive net profit/(loss) attributable to the Parent Company** | **28** | **389** |

| EUR | | |
|---|---|---|
| **Total comprehensive basic earnings/(loss) per share attributable to the Parent Company** | **0,000** | **0,005** |

### Diluted earnings or loss per share

*Presence of a Stock Appreciation Rights assignment plan which affects the determination of the number of shares to be used in the calculation of diluted earnings per share*

As at 30 June 2019, the shares for potential issue refer solely to shares assigned against the medium/long-term incentive plan based on the assignment of Stock Appreciation Rights (SARs) on treasury shares reserved for the management of Mittel S.p.A. (note the removal from the SARs plan of the former Chief Executive Officer, as a result of the termination of the employment relationship that occurred in November 2018).
The calculation of the diluted earnings per share was therefore made taking into account the number of shares that could be issued, without any consideration being received, against the SARs accrued and accounted for to date.

Reconciliation of the weighted average number of shares outstanding for the purposes of the calculation of diluted earnings or loss per share from the consolidated income statement and from the statement of comprehensive income for the period ended 30 June 2019, compared with the corresponding period of the previous year, is as follows.

| Diluted earnings or loss per share | 30.06.2019 | 30.06.2018 |
|---|---|---|
| (no. ordinary shares) | | |
| Average weighted number of shares outstanding at the end of the period | 81.347.368 | 77.215.268 |
| *plus shares required for:* | | |
| - SARs plan | 315.927 | 262.845 |
| Potential dilution of ordinary shares | 315.927 | 262.845 |
| **Average weighted number of shares at the end of the period** | **81.663.295** | **77.478.113** |

| Euro/thousand | | |
|---|---|---|
| Net profit/(loss) attributable to the Parent Company | 349 | 3.454 |
| Effect of subscriptions of potential new shares | - | - |
| **Net profit/(loss) available to ordinary shareholders plus expected subscriptions** | **349** | **3.454** |

| EUR | | |
|---|---|---|
| **Diluted earnings or loss per share** | **0,004** | **0,045** |

| Thousands of Euro | | |
|---|---|---|
| Total comprehensive net profit/(loss) attributable to the Parent Company | 28 | 389 |
| Effect of subscriptions of potential new shares | - | - |
| **Net overall profit/(loss) available to ordinary shareholders plus expected subscriptions** | **28** | **389** |

| EUR | | |
|---|---|---|
| **Total comprehensive diluted earnings/(loss) per share attributable to the Parent Company** | **0,000** | **0,005** |

As there are no profits or losses from non-current assets held for sale or discontinued operations, the related earnings or loss per share of assets held for sale or already disposed of is not indicated.
Furthermore, note that the earnings or loss per share values recognised do not require adjustment due to any transactions involving ordinary shares or potential ordinary shares after the end of the year as at 30 June 2019 which would have significantly changed the number of ordinary or potential ordinary shares outstanding at period end.

## 50. Consolidated net financial position

According to the provisions of Consob Communication of 28 July 2006 and in compliance with the Recommendation of CESR dated 10 February 2005 “Recommendations for the consistent implementation of the regulation of the European Commission on prospectuses”, it should be noted that the net financial position of the Mittel Group as at 30 June 2019 was negative for EUR 206,2 million (negative for EUR 29,5 million as at 31 December 2018), as shown in the table below:

| (Thousands of Euro) | 30.06.2019 | 31.12.2018 | Variation |
|---|---|---|---|
| Cash | 81 | 224 | (143) |
| Other cash and cash equivalents | 229.701 | 223.598 | 6.102 |
| Securities held for trading (*) | - | - | - |
| **Current liquidity** | **229.782** | **223.822** | **5.959** |
| **Current financial receivables** | **25** | **-** | **25** |
| Current bank payables | (9.185) | (755) | (8.431) |
| Current portion of medium/long-term bank loans | (7.323) | (8.776) | 1.453 |
| Bonds | (44.938) | (44.844) | (93) |
| Other financial payables | (17.963) | (14.339) | (3.624) |
| *- of which IFRS 16 financial liabilities* | *(5.059)* | - | *(5.059)* |
| **Current financial debt** | **(79.409)** | **(68.713)** | **(10.695)** |
| **Net current financial debt** | **150.398** | **155.109** | **(4.711)** |
| Non-current bank payables | (50.676) | (47.084) | (3.592) |
| - Bank loans and borrowings expiring in the medium-term | (50.676) | (47.084) | (3.592) |
| - Bank loans and borrowings expiring in the long-term | - | - | - |
| Bonds issued | (129.365) | (129.256) | (109) |
| Other financial payables | (176.517) | (8.288) | (168.230) |
| *- of which IFRS 16 financial liabilities* | *(173.532)* | - | *(173.532)* |
| **Non-current financial debt** | **(356.558)** | **(184.628)** | **(171.931)** |
| **Net financial position** | **(206.160)** | **(29.519)** | **(176.642)** |

(*) Assets posted under current assets and financial assets held for trading were reclassified to this item, if necessary.

As regards the determination of the net financial position, please refer to the Directors’ Report on Operations for these financial statements. Moreover, in compliance with the indications of Consob Communication no. 6064293 of 28 July 2006 relating to the impact of transactions or positions with related parties on the net financial position, refer to the financial statement tables drawn up pursuant to Consob Resolution no. 15519 of 27 July 2006. Specifically, the significant items pertaining to the net financial position, which recorded balances to/from related parties, are current and non-current financial receivables and non-current financial payables. For the details of these, please refer to note 52 of these consolidated financial statements.

## 51. Commitments and guarantees

As at 30 June 2019, the guarantees given can be summarised in the following table:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Guarantees:** | | |
| financial | - | - |
| commercial | 14.318 | 11.006 |
| assets pledged as collateral | - | 15.801 |
| **Commitments:** | | |
| disbursement of funds | 4.347 | 4.347 |
| other irrevocable commitments | - | - |
| | **18.665** | **31.155** |

Commercial guarantees refer to: (i) EUR 6,6 million for Mittel S.p.A., mainly in relation to sureties in favour of the Italian Revenue Agency for VAT on which a refund was requested and/or offset, EUR 2,2 million on its own account, and EUR 4,4 million on behalf of Group companies; (ii) EUR 4,1 million for the Real Estate sector and consists of sureties for primary urbanisation works requested by the cities of Milan (EUR 1,1 million) and Como (EUR 3,0 million); and (iii) EUR 3,6 million for guarantees granted to companies in the Nursing Home sector.

Commitments to disburse funds refer to the commitments for payments to be made into investment vehicles, and are attributable to Earchimede S.p.A. for EUR 3.1 million and Mittel S.p.A. for EUR 1.3 million.

## 52. Intercompany transactions and transactions with related parties

In terms of transactions with related counterparties identified on the basis of art. 2359 of the Italian Civil Code and IAS 24, it should be noted that, during the half-year ended 30 June 2019, transactions were entered into with said counterparties as part of ordinary Group activities and that no atypical and unusual transactions were carried out.

All transactions were performed at arm's length and refer to:

| | Directors, Statutory auditors and internal committees | Associates | Other related parties | Total |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Financial receivables | - | 9.980 | . | **9.980** |
| **Current assets** | | | | |
| Sundry receivables and other assets | - | 14 | - | **14** |
| **Current liabilities** | | | | |
| Sundry payables and other liabilities | 398 | 6 | 73 | **477** |
| **Income statement** | | | | |
| Revenue | - | 34 | - | **34** |
| Other income | - | 13 | - | **13** |
| Costs for services | (412) | - | (73) | **(485)** |
| Personnel costs | (370) | (11) | - | **(381)** |
| Financial income | - | 265 | - | **265** |

- Non-current financial receivables refer solely to the loan granted by Mittel S.p.A. to Mittel Generale Investimenti S.r.l.

- The "Sundry receivables and other assets" item refers to the amount due to Mittel S.p.A. from Mittel Generale Investimenti S.r.l. for chargebacks of sundry services.

- The "Sundry payables and other current liabilities" item refers to the amount due to directors (EUR 343 thousand) and statutory auditors (EUR 55 thousand) for fees accrued but still to be paid and, for the part due to associates, amounts due to Mittel S.p.a. from Mittel Generale Investimenti S.r.l. for invoices issued.

- The item "Revenues and other income" refers to the charge-back of administrative services and direct debit services provided to Mittel Generale Investimenti S.r.l.

- The "Costs for services due to directors, statutory auditors and internal committees" item refers to EUR 0,3 million in Directors' fees and EUR 0,1 million in fees to the Board of Statutory Auditors. The cost for other related parties refers to the consultancy provided by a law firm related to one of the directors (please refer to the thorough discussion in the Directors' Report on Operations). For further details, please refer to the "Report on Remuneration" which will be available on the company's web site www.mittel.it, "Investor Relations" section, according to the legal terms.

- The item "Personnel costs" refers to the remuneration of the Group's key managers. For further details, please refer to the "Report on Remuneration" which will be available on the company's web site www.mittel.it, "Investor Relations" section, according to the legal terms. Personnel costs in relation to associates refers to employees that Mittel Generale Investimenti S.r.l. has seconded to Mittel S.p.A.

- The "Financial income" item refers to interest income of EUR 0,3 million accrued by Mittel S.p.A. from Mittel Generale Investimenti S.r.l.

## 53. Additional disclosures on financial instruments and risk management policies

With reference to supplementary disclosures regarding financial instruments and the inherent risks required by IFRS 7 and IFRS 13, aimed at outlining the impact of financial instruments with respect to the size of the associated risk exposures and the fair value measurement of financial instruments, details on the measures and mechanisms the Group has implemented to manage the exposure to financial risks are shown below.

### 53.1 Fair value measurement

IFRS 13 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Where transactions are directly observable on a market, it may be relatively simple to determine the fair value. Otherwise, valuation techniques are used such as the “market” approach, which use prices and other relevant information generated by other transactions involving similar assets and liabilities, the “income approach”, which consists of the discounting of future cash inflows and outflows, and, lastly, the “cost approach”, which requires that the entity determine a value that reflects the amount that would be required currently to replace the service capacity of an asset.
IFRS 13 establishes a fair value hierarchy that classifies the input of the valuation techniques used to measure fair value into three levels.
The fair value hierarchy assigns the maximum priority to listed prices (not adjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the minimum priority to inputs that are not observable (Level 3 inputs).

The levels used in the hierarchy are as follows:

**Level 1** inputs: listed prices (not adjusted) in active markets for identical assets or liabilities which the entity may access at the valuation date. A market is defined as active when prices reflect transactions that occur with a frequency and at sufficient volumes to provide useful information for determining the price on an ongoing basis.

**Level 2** inputs: variables other than listed prices included in Level 1 that are directly or indirectly observable for assets or for liabilities. These valuation techniques are used if the instrument to be valued is not listed in an active market. The valuation of the financial instrument is based on market prices taken from market listings of identical or similar assets or through valuation techniques for which all significant values are taken from parameters observable or corroborated on the market.

**Level 3** inputs: variables that are not observable for assets or for liabilities. These techniques consist of the calculation of the listed price of the instrument by using significant parameters which are not observable but must reflect the assumptions that market participants would use in calculating the price of the asset or liability, including the assumptions regarding risk.

For the financial instruments outstanding as at 30 June 2019, and for comparative purposes as at 31 December 2018, the table below illustrates the fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis (level 3 includes the book values of unlisted financial assets recognised at cost in the absence of an available fair value):

| | 30 June 2019 | | | 31 December 2018 | | |
|---|---|---|---|---|---|---|
| (thousands of EUR) | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Other financial assets at fair value:** | | | | | | |
| Financial assets at fair value through other comprehensive income | - | 13.098 | 3.013 | - | 14.622 | 3.243 |
| Financial assets measured at fair value through profit or loss | - | | | - | - | - |
| **Financial receivables at fair value:** | | | | | | |
| Financial receivables that did not pass the SPPI test | - | - | - | - | - | - |
| **Total assets** | **-** | **13.098** | **3.013** | **-** | **14.622** | **3.243** |
| **Other financial liabilities:** | | | | | | |
| Hedging derivatives | - | - | 356 | - | - | 210 |
| Trading derivatives | - | - | 12.032 | - | - | 13.200 |
| **Total liabilities** | **-** | **-** | **12.388** | **-** | **-** | **13.410** |

Completing the analyses required by IFRS 13, the types of financial instruments contained in the financial statement items as at 30 June 2019 are shown and, for comparative purposes, as at 31 December 2018, indicating the valuation criteria applied and, for financial instruments at fair value, the exposure (income statement or equity), specifically assigning the fair value category. The last column of the table shows, where applicable, the fair value of the financial instrument at the end of the year.

| Types of financial instruments | Criteria applied in the measurement of the financial instruments in the financial statements – Financial instruments at fair value – with change in fair value with contra-item recognised in: *Income statement* | *Equity in Other comprehensive profit (loss)* | Total Fair Value (A) | Fair Value Hierarchy Level 1 | Level 2 | Level 3 | Financial instruments at amortised cost (B) | Financial statement total as at 30 June 2019 (A+B) | Fair value as at 30 June 2019 |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | |
| Other non-current financial assets (a) (c) | 16.111 | - | **16.111** | - | 13.098 | 3.013 | **-** | **16.111** | 16.111 |
| Non-current financial receivables (b) | - | - | **-** | - | - | - | **39.337** | **39.337** | 39.337 |
| Non-current sundry receivables (*) | - | - | **-** | - | - | - | **550** | **550** | 550 |
| Current financial receivables (b) | - | - | **-** | - | - | - | **25** | **25** | 25 |
| Trade receivables (*) | - | - | **-** | - | - | - | **29.066** | **29.066** | 29.066 |
| Current sundry receivables (*) | - | - | **-** | - | - | - | **4.314** | **4.314** | 4.314 |
| Cash and cash equivalents (*) | - | - | **-** | - | - | - | **229.782** | **229.782** | 229.782 |
| | **16.111** | **-** | **16.111** | **-** | **13.098** | **3.013** | **303.074** | **319.185** | 319.185 |
| **LIABILITIES** | | | | | | | | | |
| Bonds (current and non-current) (b) | - | - | **-** | - | - | - | **174.303** | **174.303** | 176.782 |
| Financial payables (current and non-current) (*) (b) | - | - | **-** | - | - | - | **249.276** | **249.276** | 249.276 |
| Other financial liabilities (current and non-current) (c) | 12.032 | 356 | **-** | - | 356 | 12.032 | **-** | **12.388** | 12.388 |
| Trade payables (*) (b) | - | - | **-** | - | - | - | **32.024** | **32.024** | 32.024 |
| Sundry payables (*) (b) | - | - | **-** | - | - | - | **5.344** | **5.344** | 5.344 |
| | **12.032** | **356** | **-** | **-** | **356** | **12.032** | **460.947** | **473.335** | 475.814 |

**Notes**
(*) Receivables and payables for which the fair value was not calculated as the corresponding book value substantially approximates the fair value

(a) Financial assets measured at fair value through profit or loss
(b) Financial receivables and financial liabilities at amortised cost
(c) Financial assets and liabilities at fair value on a recurring basis

The data relating to the previous year are shown below:

(amounts in EUR)

| Types of financial instruments | Financial instruments at fair value – with change in fair value with contra-item recognised in: *Income statement* | *Equity in Other comprehensive profit (loss)* | Total Fair Value (A) | Fair Value Hierarchy Level 1 | Level 2 | Level 3 | Financial instruments at amortised cost (B) | Financial statement total as at 31 December 2018 (A+B) | Fair value as at 31 December 2018 |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | |
| Other non-current financial assets (a) (c) | 17.865 | - | 17.865 | - | 14.622 | 3.243 | **-** | **17.865** | 17.865 |
| Non-current financial receivables (b) | - | - | - | - | - | - | **45.800** | **45.800** | 45.800 |
| Non-current sundry receivables (*) | - | - | - | - | - | - | **755** | **755** | 755 |
| Trade receivables (*) | - | - | - | - | - | - | **16.825** | **16.825** | 16.825 |
| Current sundry receivables (*) | - | - | - | - | - | - | **2.277** | **2.277** | 2.277 |
| Cash and cash equivalents (*) | - | - | - | - | - | - | **223.822** | **223.822** | 223.822 |
| | **17.865** | **-** | **17.865** | **-** | **14.622** | **3.243** | **289.480** | **307.345** | 307.345 |
| **LIABILITIES** | | | | | | | | | |
| Bonds (current and non-current) (b) | - | - | **-** | - | - | - | **174.100** | **174.100** | 173.037 |
| Financial payables (current and non-current) (b) | - | - | **-** | - | - | - | **65.831** | **65.831** | 65.831 |
| Other financial liabilities (current and non-current) (c) | 13.200 | 210 | **-** | - | 210 | 13.200 | **-** | **13.410** | 13.410 |
| Trade payables (*) (b) | - | - | **-** | - | - | - | **17.408** | **17.408** | 17.408 |
| Sundry payables (current and non-current) (*) (b) | - | - | **-** | - | - | - | **3.309** | **3.309** | 3.309 |
| | **13.200** | **210** | **-** | **-** | **-** | **-** | **260.649** | **274.059** | 272.996 |

**Notes**
(*) Receivables and payables for which the fair value was not calculated as the corresponding book value substantially approximates the fair value

(a) Financial assets measured at fair value through profit or loss
(b) Financial receivables and financial liabilities at amortised cost
(c) Financial assets and liabilities at fair value on a recurring basis

*Fair value valuation techniques:*

The fair value measurement method defined for a financial instrument is adopted on a continuing basis over time and is only modified as a result of significant changes in the market or subjective conditions of the issuer of the financial instrument.
Completing the analyses required by IFRS 13, the additional disclosures concerning the valuation techniques and inputs used to measure fair value are shown below:

I. Fair value measurement of equities represented by non-controlling interests recorded in the portfolio of financial assets measured at fair value through profit or loss

The valuation techniques used to measure the fair value of the non-controlling interests recognised in the AFS portfolio measured at fair value through profit or loss include:
- the reference to market values that can be indirectly linked to the instrument to be measured and taken from similar products in terms of risk characteristics (comparable approach);
- valuations performed by using inputs not taken from observable market parameters for which use is made of estimates and assumptions prepared by the evaluator (mark to model approach).

In detail, for the fair value measurement of equities, different valuation methods are to be used, which involve the use of inputs deriving from direct transactions, i.e.:
- significant share transactions over a period of time deemed sufficiently short with respect to the time of the valuation and under constant market conditions;
- comparable transactions of companies that operate in the same sector and with any type of product/service supplied similar to those of the investee subject to valuation;
- application of the average of significant stock market multiples of comparable companies with respect to the economic-equity amounts of the investee, and
- the application of analytical financial, profit and equity valuation methods.

The choice from the aforementioned methods is not optional, given that these must be applied in hierarchical order; priority is given to official prices available in active markets for assets and liabilities to be measured (effective market quotes) or for similar assets and liabilities (comparable approach), with the lowest priority given to non-observable and, therefore, more discretional inputs (Mark to model approach).
In incorporating all the factors that operators take into consideration in establishing the price, the valuation models developed take account of the time value of money at the risk-free rate, insolvency risks, the volatility of the financial instruments and, if necessary, foreign currency exchange rates.
Shares units of private equity funds and foreign investment vehicles are measured using the last NAV (net asset value) available on a sufficiently active market (level 2).

II. Fair value measurement of financial assets and liabilities in the financial statements at amortised cost

For financial assets and financial liabilities recognised in the financial statements at amortised cost, the fair value is determined in accordance with the following methods:
- for medium/long-term assets and liabilities, the valuation is carried out through the discounting of future cash flows. The latter method is based on the “discount rate adjustment approach” which requires the risk factors connected with the disbursement of credit to be included in the rate used for the discounting of future cash flows;
- for assets and liabilities on demand with a short-term or undetermined expiry and for the initial disbursements of financial receivables, the book value recognised net of the individual impairment loss is a suitable representation of fair value.

Specifically, for financial receivables deriving from loan operations posted at amortised cost in the statement of financial position, the reference figures relating to the fair value measurement are classified under Level 3 of the fair value hierarchy, and were estimated using the discounted cash flow method. The main inputs used for this measurement are the market discount rates, which reflect the conditions applied in the key markets for receivables with similar characteristics, adjusted to take account of the credit risk of the counterparty.
The nominal value of Cash and cash equivalents generally approximates their fair value considering the short term of these instruments, which mainly include bank current accounts and time deposits.
Bond issues are recognised at amortised cost in the statement of financial position, and the related bonds are listed in an active market. Therefore, their fair value is measured using the prices at the end of the year. Thus, their fair value is classified in Level 1 of the hierarchy.
For financial instruments represented by short-term receivables and payables, for which the present value of future cash flows does not significantly differ from their book value, their book values are assumed to be a reasonable approximation of their fair value.

Specifically, the book value of Receivables and Other current assets and Trade payables and Other current liabilities approximates their fair value.

Where a market is not functioning normally, i.e. when the market does not have a sufficient and continuous number of transactions and volatility is not adequately contained, the fair value of these financial instruments is calculated predominantly by using valuation techniques whose objective is to establish the price of a hypothetical transaction that considers assumptions regarding risk that market participants would use in calculating the price of the asset or liability and that also includes the risks inherent in a specific valuation technique used and the risk inherent in the inputs of the valuation technique.

*Variations to financial assets at fair value level 3*

As at 30 June 2019, no transfers of financial assets and liabilities at fair value on a recurring basis from level 3 to other levels and vice-versa were made, deriving from changes to significant input variables of observable valuation techniques.
With reference to financial instruments classified in level 3 of the fair value hierarchy, details of changes in the period, including profits/(losses) booked to the income statement, are shown below:

| (thousands of EUR) | Financial assets |
|---|---|
| **As at 31 December 2018** | **3.243** |
| (Profit)/losses recognised in the income statement | 234 |
| (Profit) losses recognised in other comprehensive income | |
| Issues/extinctions | (464) |
| **As at 30 June 2019** | **3.013** |

Financial assets measured at fair value level 3 mainly include EUR 0,9 million for Equinox Two S.c.a. (EUR 1,3 million as at 31 December 2018), EUR 1,4 million for SIA-SSB S.p.A. (EUR 1,4 million as at 31 December 2018), and EUR 0,4 million for Medinvest International S.A. (EUR 0,4 million as at 31 December 2018).

## 53.2 Classifications of financial instruments

### Categories of financial assets and liabilities

With reference to supplementary disclosures regarding financial instruments and the inherent risks required under IFRS 7, and aimed at outlining the impact of financial instruments with respect to the size of the associated risk exposures, details on the measures and mechanisms the Group has implemented to manage the exposure to financial risks are shown below.

Additional disclosures required by IFRS 7 in order to assess the relevance of the financial instruments with reference to the Mittel Group's financial position are shown below:

| | IFRS 9 CATEGORIES | | | |
|---|---|---|---|---|
| **Financial assets as at 30 June 2019** | Loans and receivables | Financial assets measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income | Book value |
| **Non-current financial assets:** | | | | |
| Investments | - | 16.111 | - | 16.111 |
| Bonds | - | - | - | - |
| Other financial assets | - | - | - | - |
| **Non-current receivables:** | | | | |
| Financial receivables | 39.337 | - | - | 39.337 |
| Sundry receivables | 663 | - | - | 663 |
| Receivables due from related parties | - | - | - | - |
| **Receivables due from customers and other current commercial assets:** | | | | |
| Sundry receivables and other assets | 41.582 | - | - | 41.582 |
| **Current financial assets:** | | | | |
| Financial receivables | 25 | - | - | 25 |
| Sundry receivables | - | - | - | - |
| Hedging derivatives | - | - | - | - |
| Non-hedging derivatives | - | - | - | - |
| **Cash and cash equivalents** | | | | |
| Bank and postal deposits | 229.701 | - | - | 229.701 |
| **TOTAL FINANCIAL ASSETS** | **311.307** | **16.111** | **-** | **327.418** |

| | IFRS 9 CATEGORIES | | | |
|---|---|---|---|---|
| **Financial assets as at 31 December 2018** | Loans and receivables | Financial assets measured at fair value through profit or loss | Financial assets measured at fair value through other comprehensive income | Book value |
| **Non-current financial assets:** | | | | |
| Investments | - | 17.865 | | **17.865** |
| Bonds | - | - | - | **-** |
| Other financial assets | - | - | - | **-** |
| **Non-current receivables:** | - | - | | |
| Financial receivables | 45.800 | - | - | **45.800** |
| Sundry receivables | 755 | - | - | **755** |
| **Receivables due from customers and other current commercial assets:** | - | - | | |
| Sundry receivables and other assets | 19.102 | - | - | **19.102** |
| **Current financial assets:** | - | - | | |
| Financial receivables | - | - | | **-** |
| Other financial assets | - | - | - | **-** |
| Hedging derivatives | - | - | - | **-** |
| Non-hedging derivatives | - | - | - | **-** |
| **Cash and cash equivalents** | - | - | | |
| Bank and postal deposits | 223.822 | - | - | **223.822** |
| **TOTAL FINANCIAL ASSETS** | **289.479** | **17.865** | **-** | **307.344** |

Note that the table also includes the items sundry receivables and other assets and sundry payables and other liabilities.

| Financial liabilities as at 30 June 2019 | IFRS 9 CATEGORIES<br>Financial instruments at fair value | <br>Liabilities at amortised cost | Book value |
|---|---|---|---|
| **Non-current payables and liabilities:** | | | |
| Payables due to banks and other lenders | - | 50.676 | **50.676** |
| Other financial liabilities | - | 175.503 | **175.503** |
| Sundry payables and other liabilities | - | 862 | **862** |
| Bonds | - | 129.365 | **129.365** |
| **Current liabilities:** | | | |
| Loans and borrowings from banks and other lenders | - | 22.439 | **22.439** |
| Other financial liabilities | 12.032 | | **12.032** |
| Trade payables | - | 32.024 | **32.024** |
| Sundry payables | - | 3.963 | **3.963** |
| Bonds | - | 44.938 | **44.938** |
| **Other financial liabilities:** | | | |
| Hedging derivatives | 356 | - | **356** |
| Non-hedging derivatives | - | - | **-** |
| **TOTAL FINANCIAL LIABILITIES** | **12.388** | **459.770** | **472.158** |

| Financial liabilities as at 31 December 2018 | IFRS 9 CATEGORIES<br>Financial instruments at fair value | <br>Liabilities at amortised cost | Book value |
|---|---|---|---|
| **Non-current payables and liabilities:** | | | |
| Loans and borrowings from banks and other lenders | - | 55.162 | **55.162** |
| Sundry payables and other liabilities | - | 155 | **155** |
| Bonds | - | 129.256 | **129.256** |
| **Current liabilities:** | | | |
| Loans and borrowings from banks and other lenders | - | 10.669 | **10.669** |
| Other financial liabilities | 13.200 | - | **13.200** |
| Trade payables | - | 17.408 | **17.408** |
| Sundry payables | - | 3.154 | **3.154** |
| Bonds | - | 44.844 | **44.844** |
| **Other financial liabilities:** | | | |
| Hedging derivatives | 210 | - | **210** |
| Non-hedging derivatives | - | - | **-** |
| **TOTAL FINANCIAL LIABILITIES** | **13.410** | **260.649** | **274.059** |

## 53.3 Risk management policies

### 1. Credit risks

Credit risk represents the exposure of the Mittel Group to potential losses resulting from the non-fulfilment of the obligations assumed by both financial and commercial counterparties. This risk mainly originates from economic-financial factors, or the possibility of counterparty default, or from more strictly technical-commercial factors.
The Mittel Group's maximum theoretical exposure to credit risk is represented by the book value of the financial assets and receivables recorded in the financial statements. It should be pointed out that certain credit positions are secured by mortgages and pledges on securities.
Allocations to the allowance for impairment are made specifically on credit positions that present unique elements of risk. By contrast, allocations are made to credit positions that do not present these characteristics on the basis of the average estimated collectability in line with statistical indicators.

As regards credit risk pertaining to income components that contribute to the calculation of net financial debt, it should be noted that the management of the Group's liquidity is based on prudential criteria and divided according to the following areas:
- money market management, entrusted with the investment of temporary cash surpluses during the period, the reabsorption of which is expected within the next twelve months;
- bond portfolio management, entrusted with the investment of a permanent level of liquidity, the investment of that part of liquidity whose reabsorption for cash requirements is expected to occur after twelve months, as well as the improvement of the average yield on the asset.

In order to reduce the risk of the non-fulfilment of the obligations assumed by the counterparty, deposits have been made with leading banks with high credit standing.
In order to minimise credit risk, the Group also pursues a policy of diversification of its use of liquidity and of assignment of credit positions to the different bank counterparties; therefore, there are no significant positions with single counterparties to report.
The Group is not exposed to sovereign debts.

**Qualitative information**

**General aspects**

The Group performs its activities in the equity investments, advisory, and property sectors, as well as operating sectors of the companies involved in business combinations during the previous year (Nursing Homes, Design and Automotive). Credit risk represents the risk of counterparty default with a partial or total loss of capital and of the interest on the credit position.
The analysis of credit risk is a key factor, for the purposes of preparation of the financial statements, in the evaluation of the receivables in the portfolio and as regards their impairment testing required by IFRS 9.

Management and the Internal Control and Risks Committee constantly monitor risk positions at collective and individual level.
The risk control department measures the market risks of the Parent Company and those of the individual Group companies, in order to ensure that the overall exposure is monitored.

**Quantitative information**

**Credit exposures: gross and net values**

The following table shows the total gross and net amounts of the Group financial receivables for the six months ended at 30 June 2019 and at 31 December 2018.

| Type of exposures/amounts | Gross exposure | Specific value adjustments | Net exposure |
|---|---|---|---|
| **Total as at 30 June 2019** | **69.726** | **(30.365)** | **39.361** |
| **Total as at 31 December 2018** | **76.724** | **(30.923)** | **45.801** |

The table below shows the details of trade receivables as at 30 June 2019, by trade receivables not past due (“Falling due” line) and past due receivables, with an indication of the expired period (lines “0-180 days”, and “180-360 days” and “more than 360 days”):

| | **30.06.2019** | | |
|---|---|---|---|
| | Nominal value | Write-downs | Net value |
| Falling due | 27.434 | - | 27.434 |
| 0-180 days | 929 | (3) | 926 |
| 180-360 days | 80 | (1) | 79 |
| More than 360 days | 4.622 | (3.995) | 627 |
| | **33.065** | **(3.999)** | **29.066** |

The figures relating to the financial statements closed as at 31 December 2018 are provided below:

| | 31.12.2018 | | |
|---|---|---|---|
| | Nominal value | Write-downs | Net value |
| Falling due | 14.446 | - | 14.446 |
| 0-180 days | 1.661 | (27) | 1.634 |
| 180-360 days | 78 | - | 78 |
| More than 360 days | 4.596 | (3.929) | 667 |
| | **20.781** | **(3.956)** | **16.825** |

Positions for which there is an objective condition of partial or total non-collectability are impaired individually. The amount of the impairment loss takes account of the estimate of recoverable flows, the relative collection date and the fair value of any guarantees.
With reference to the accounting policies for loans and receivables, please refer to the section on the first-time adoption of IFRS 9, which has led to the incorporation of expected losses arising from future events.

Group companies calculate impairment according to rules which are differentiated by the different credit accounting methods; in particular, the method for calculating the amount of impairment applicable to the loans and receivables recorded at amortised cost requires the impairment loss to be measured as the difference between the book value of the asset and the present value of estimated future cash flows discounted at the original effective interest rate of the financial instrument.
From an accounting point of view, the value of the asset must be reduced directly and the amount of the adjustment is recognised in the income statement in the period.

*Cash and cash equivalents*

Cash and cash equivalents of the Group totalled EUR 229.782 thousand (EUR 223.822 thousand as at 31 December 2018) and are composed of bank deposits and cash on hand.
As regards the choice of counterparties for the management of temporary surpluses of cash and the stipulation of financial hedging contracts (derivative instruments), the Group only uses contacts with a high credit standing.
In this regard, it should be noted that, as at 30 June 2019, no significant exposures to risks connected to a further deterioration in the overall financial context were highlighted.

*Guarantees given*

The carrying amounts as at 30 June 2019 relating to the financial and commercial guarantees issued, assets pledged as collateral in favour of third parties for financial liabilities and irrevocable commitments are shown below:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Financial guarantees issued | - | 15.801 |
| Commercial guarantees issued | 14.318 | 11.006 |
| Irrevocable commitments to disburse funds | 4.347 | 4.347 |
| Commitments underlying credit derivatives | - | - |
| Other irrevocable commitments | - | - |
| | **18.665** | **31.155** |

## 2. Market risks

### Interest rate risk

### General aspects

Interest rate risk generally refers to the effects of changes in market interest rates on the income statement and on the statement of financial position.
In order to measure and monitor the interest rate risk profile at individual company and consolidated level, reports are generated which ensure the accurate monitoring of the trend in debt rates.
This reporting system makes it possible to continuously record the "margin" between the average rate of debt and lending and to determine the impacts of changes in the structure of interest rates on the entire financial statements for the year.

### Quantitative information

The table below identifies the book value of the financial assets and liabilities:

### Distribution by repricing date of financial assets and liabilities

| Items/residual duration | Up to 6 months | From after 6 months to 1 year | From after 1 year to 3 years | From after 3 years to 5 years | After 5 years | Undetermined term | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Debt securities | - | - | - | - | - | - | - |
| Medium/long-term financial receivables | - | - | 21.836 | - | 17.501 | - | 39.337 |
| Current financial receivables | 25 | - | - | - | - | - | 25 |
| Available-for-sale financial assets | - | - | - | - | - | - | - |
| Financial assets at fair value | - | - | - | - | - | - | - |
| | **25** | **-** | **21.836** | **-** | **17.501** | **-** | **39.362** |
| **Liabilities** | | | | | | | |
| Non-current bank loans | - | - | 36.688 | 4.085 | 9.903 | - | 50.676 |
| Current bank loans | 6.730 | 9.778 | - | - | - | - | 16.508 |
| Other non-current financial payables | - | - | 165 | - | 1.964 | 500 | 2.629 |
| Other current financial payables | - | 872 | - | - | - | - | 872 |
| Bonds | 44.938 | - | - | 129.365 | - | - | 174.303 |
| | **51.668** | **10.650** | **36.853** | **133.450** | **11.867** | **500** | **244.988** |
| **Financial derivatives** | | | | | | | |
| Hedging derivatives | 10 | 104 | 204 | 38 | - | - | 356 |
| Trading derivatives | - | - | - | - | - | - | - |
| | **10** | **104** | **204** | **38** | **-** | **-** | **356** |
| | **(51.653)** | **(10.754)** | **(15.221)** | **(133.488)** | **5.634** | **(500)** | **(205.982)** |

The table does not include the entries recognised in applying IFRS 16, which are better described in other sections of this report.

The data relating to the previous year are shown below:

| Items/residual duration | Up to 6 months | From after 6 months to 1 year | From after 1 year to 3 years | From after 3 years to 5 years | After 5 years | Undetermined term | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Debt securities | - | - | - | - | - | - | - |
| Medium/long-term financial receivables | - | - | 41.748 | - | - | 4.052 | 45.800 |
| Current financial receivables | - | - | - | - | - | - | - |
| Available-for-sale financial assets | - | - | - | - | - | - | - |
| Financial assets at fair value | - | - | - | - | - | - | - |
| | **-** | **-** | **41.748** | **-** | **-** | **4.052** | **45.800** |
| **Liabilities** | | | | | | | |
| Non-current bank loans | - | - | 20.019 | 17.064 | 10.000 | - | 47.083 |
| Current bank loans | 6.309 | 3.222 | - | - | - | - | 9.531 |
| Other financial liabilities - related parties | - | - | - | - | - | - | - |
| Bonds | - | 44.844 | - | 129.256 | - | - | 174.100 |
| | **6.309** | **48.066** | **20.019** | **146.320** | **10.000** | **-** | **230.714** |
| **Financial derivatives** | | | | | | | |
| Hedging derivatives | 24 | 7 | 143 | 37 | - | - | 211 |
| Trading derivatives | - | - | - | - | - | - | - |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **24** | **7** | **143** | **37** | **-** | **-** | **211** |
| | **(6.333)** | **(48.073)** | **21.586** | **(146.357)** | **(10.000)** | **4.052** | **(185.125)** |

The above tables are based on residual due dates and form a useful means of support also for quantifying liquidity risk. With more specific reference to interest rate risk, however, reference should also be made to the following tables (particularly those provided in the section on sensitivity analysis), which show details of fixed rate and variable rate financial assets and liabilities.

**Models and other methods for the measurement and management of interest rate risk**

Interest rate risk is a variable to which the Group dedicates considerable attention and has provided the basis for the operational decisions taken, regarding both financing instruments and lending.
In particular, fixed-rate bonds were used as the main source of financing. This strategic decision represents an important factor in mitigating risk and involves a moderate impact in respect of unexpected changes in interest rates on the economic value of the Parent Company and of Group companies.

**Price risk**

**General aspects**

Market risks encompass the risks generated by market transactions with regard to financial instruments, currencies and commodities.
Market risks are composed of position, settlement and concentration risk, with reference to the trading portfolio; from currency risk and commodity risk, with reference to the entire financial statements.

**Qualitative information**

As regards the Group’s current operations, actual and prospective market risk is low.
In line with the approved strategic lines, the strategies implemented in the current year are extremely prudent and have made provision for limited trading in financial assets, on the basis of a careful assessment of the risks connected to the current market phase. In particular, activities during the year involved the disposal of the residual trading portfolio held.

**Quantitative information**

As indicated in the section on qualitative information, the Group’s current and future market risk is limited, considering the complete disposal of the trading portfolio and the consistent reduction also in other financial assets compared to previous years.

**Currency risk**

**General aspects**

Currency risk may be generally defined as the effects of variations in the exchange rate of non-Euro currencies on the performance of the Group in terms of economic results of operations and cash flows.
Monitoring of the incidence of the trend in exchange rates as regards transactions realised on securities in the various non-Euro currencies, is carried out, where appropriate, through reporting which shows the overall exposure and the incidence on the level of intra-year loss.
These indicators are produced on a daily basis and made available to the managers of the operating and control units.
Presently, the Group has no operations in place in areas subject to currency rate risks.

**Qualitative/quantitative information**

The Group has no exposures in foreign currency.

**Sensitivity analysis**

The exposure to the different market risks is measured through a sensitivity analysis, as envisaged under IFRS 7; this analysis illustrates the effects of a given hypothetical variation in the levels of relevant variables in the different markets (interest rates, prices, currency) on financial expenses and income and, sometimes, directly on equity.

The sensitivity analysis was conducted on the basis of the hypotheses and assumptions shown below:

- the sensitivity analyses were carried out by applying reasonably possible changes in the relevant risk variables to carrying amount as at 30 June 2019, assuming that said values are representative of the entire year;
- changes in the value of fixed rate financial instruments, other than derivative instruments, brought about by variations in reference interest rates, generate an impact on profit only when accounted for at their fair value. All fixed rate instruments which are accounted for at amortised cost are not subject to interest rate risk, as defined in IFRS 7;
- changes of value brought about by variations in interest rates, of variable rate financial instruments, other than derivative instruments, which are not part of a cash flow hedging relationship, generate an impact on financial income and expenses in the period; therefore, they are taken into consideration in this analysis.

**Interest rate risk – Sensitivity analysis**

The variation in interest rates on the variable component of payables and liquidity may involve higher or lower financial expenses/income. In particular, in relation to the variation in interest rates: if, as at 30 June 2019, the interest rates were 100 basis points higher/lower than the rates actually registered, at income statement level, higher/lower financial expenses would be recorded, before the associated taxes, amounting to approximately EUR 0,1 million.

**Breakdown of the financial structure between fixed and variable rates**

In relation to the breakdown of the financial structure between the fixed rate and variable rate components, both for financial assets and liabilities, the following tables are considered.
In the preparation of these tables, account was taken of the book value and, as regards financial assets, of the intrinsic nature (financial characteristics and duration) of the transactions considered, rather than solely the contractually defined conditions.

| Amounts in thousands of Euro | **30 June 2019** | | |
|---|---|---|---|
| | Fixed rate | Variable rate | Total |
| Bank loans | | 67.184 | **67.184** |
| Bonds | 174.303 | | **174.303** |
| Other financial liabilities | - | 3.501 | **3.501** |
| **Total** | **174.303** | **70.685** | **244.988** |

The table does not include the entries recognised in applying IFRS 16, which are better described in other sections of this report.

The data relating to the previous year are shown below:

| Amounts in thousands of Euro | **31 December 2018** | | |
|---|---|---|---|
| | Fixed rate | Variable rate | Total |
| Bank loans | - | 55.162 | **55.162** |
| Bonds | 174.100 | - | **174.100** |
| Other financial liabilities | - | - | **-** |
| **Total** | **174.100** | **55.162** | **229.262** |

| Amounts in thousands of Euro | 30 June 2019 | | |
|---|---|---|---|
| | Fixed rate | Variable rate | Total |
| Financial receivables | 3.851 | 35.511 | **39.362** |
| Other financial assets | - | - | **-** |
| **Total** | **3.851** | **35.511** | **39.362** |

The data relating to the previous year are shown below:

| Amounts in thousands of Euro | 31 December 2018 | | |
|---|---|---|---|
| | Fixed rate | Variable rate | Total |
| Financial receivables | 4.052 | 41.748 | **45.800** |
| Other financial assets | - | - | **-** |
| **Total** | **4.052** | **41.748** | **45.800** |

The tables indicated above, relating to financial receivables and payables for the current year, include the value of non-interest bearing receivables and payables using a fixed rate.

**Effective interest rate**

The effective interest rate, for categories for which it can be determined, is the one relating to the original transaction net of the effect of any derivative hedging instruments.

The information, given provided by categories of financial assets and liabilities, has been prepared by using, as a weight for weighting purposes, the adjusted book value of accruals, deferrals and fair value adjustments; therefore, this refers to the amortised cost, net of any accruals and fair value adjustments due to hedge accounting.

Amounts in thousands of Euro

| | 30 June 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Adjusted book value | Effective interest rate (%) | Adjusted book value | Effective interest rate (%) |
| Deposits and cash | 229.782 | 0,05% | 223.822 | 0,35% |
| Other financial receivables | 39.362 | 5,17% | 45.800 | 5,22% |
| **Total** | **269.144** | **0,86%** | **269.622** | **1,58%** |

Amounts in thousands of Euro

| | 30 June 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Adjusted book value | Effective interest rate (%) | Adjusted book value | Effective interest rate (%) |
| Bank loans | 67.184 | 1,55% | 55.162 | 1,14% |
| Bonds | 174.303 | 4,43% | 174.100 | 4,43% |
| Other financial liabilities | 3.501 | 0,00% | - | |
| **Total** | **244.988** | **3,65%** | **229.262** | **3,54%** |

The table does not include the entries recognised in applying IFRS 16, which are better described in other sections of this report.

**Currency risk – Sensitivity analysis**

As at 30 June 2019 (and as at 31 December 2018), no active and passive financial instruments were denominated in currencies different from the financial statement currency of the individual companies and, therefore, currency risk is not subject to sensitivity analysis.

## 3. Liquidity risk

Liquidity risk is the risk of a company finding it difficult to fulfil future obligations associated with the financial liabilities given that available financial resources are not sufficient to cover the obligations according to the pre-established terms and due dates.
The Group pursues an objective of adequate financial stability of its sources, consistent with the defined strategic guidelines. This requirement has led Mittel S.p.A. to strengthen, through the transaction on bonds carried out during the previous year, the medium-term financial debt component. The Group also has adequate financial flexibility, as it has additional sources or potential sources of financing through the availability of bank credit lines and loans, used in particular by newly acquired companies.
Reference should be made to the table provided above (in the section on interest rate risk) for details of the residual maturities of assets and liabilities.
With reference to the expiry dates of cash flows related to the Group's financial exposure, for liquidity risk purposes, the repayment plan set forth for medium/long-term debt assumes particular significance. Amongst other things, the risk analysis performed is aimed at quantifying, based on contractual expiry dates, the cash flows deriving from the repayment of non-current financial liabilities held by the Company, given that they are deemed relevant for liquidity risk purposes.
For the purposes of presentation of the liquidity risk on the financial exposure of the Group deriving from expected cash flows for the repayment of financial debt and other non-current liabilities, the development of cash flows relating to the plan of payments for annual periods is shown below.

| Amounts in thousands of Euro | **expiring by 31.12 of the year:** | | | | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **After 2022** | **Total** |
| Bank loans | 12.999 | 31.320 | 4.085 | 9.903 | 58.307 |
| Other loans | 872 | 165 | - | 1.964 | 3.001 |
| Bonds | 4.847 | 4.847 | 4.847 | 131.965 | 146.506 |
| Derivative financial instruments | - | - | - | - | - |
| **Total** | **18.718** | **36.332** | **8.932** | **143.832** | **207.814** |

For further information on Mittel Group covenants, reference should be made to the paragraph "Risk of default and debt covenants" in the Directors' Report on Operations.

## 4. Information on equity

The shareholders have always taken care to provide the Group with sufficient equity to allow it to carry out its activities and to cover risks. For this reason, the Group has carried forward a portion of the profits achieved over the years. The objectives of the Parent Company Mittel S.p.A. as regards the management of capital, are based on the protection of the Group's ability to continue, simultaneously, to ensure profitability for shareholders and to retain an efficient capital structure.

## 54. Ongoing disputes

A number of Group companies have disputes in progress. The main ongoing legal proceedings are described in the Report on Operations, under the paragraph “Main ongoing legal proceedings”.

Milan, 25 September 2019

for the Board of Directors

The Chairman

(Michele Iori)

# Annexes

**Statement on the condensed half-yearly consolidated financial statements as at 30 June 2019 pursuant to art. 81-*ter* of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions**

The undersigned Anna Francesca Cremascoli, the Director in charge of the risk management and internal control system, and Pietro Santicoli, the Manager in charge of financial reporting of Mittel S.p.A., also taking into account the provisions of art. 154-*bis*, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, state that the administrative and accounting procedures are adequate given the Company's characteristics and were effectively applied to prepare the condensed half-yearly consolidated financial statements as at 30 June 2019.

It is also certified that the condensed half-yearly consolidated financial statements for the period ended as at 30 June 2019:

a) were drafted in compliance with the IFRS endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the accounting records and books;

c) provide a true and fair view of the financial position and performance of the issuer and of the group of consolidated companies.

The interim report on operations includes a reliable analysis of the references to significant events which occurred in the first six months of the year and to their incidence on the condensed half-yearly consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Milan, 25 September 2019

| Director in charge of the risk management and internal control system | Manager in charge of financial reporting |
|---|---|
| Anna Francesca Cremascoli | Pietro Santicoli |

## **Independent Auditors' Report**

Please for this section refer to Italian version