Relazioni e Bilancio al 31.12.2019

Reports and Financial Statements as at 31.12.2019

MITTEL

Registered office in Milan – Via Borromei no. 5
Share Capital EUR 87.907.017 fully paid-in
Listed in the Milan Register of Companies at no. 00742640154
www.mittel.it

Reports and Financial statements

as at 31 December 2019

134th company year

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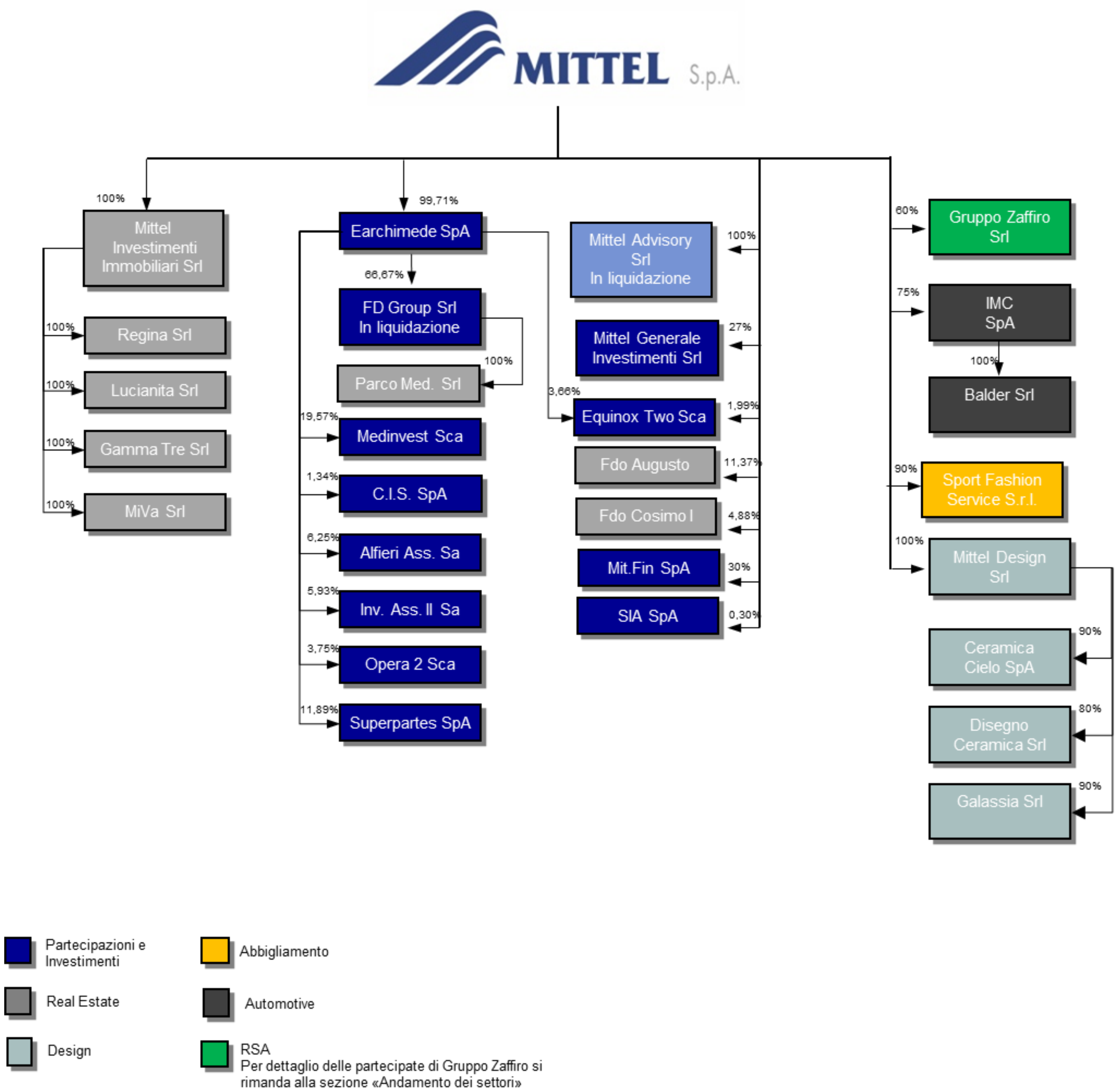
Board of Directors
Chairman
Michele Iori (b)
Deputy Chairman – Chairman of the Executive Committee
Marco Giovanni Colacicco (b)
Directors
Gabriele Albertini (a) (d) (e)
Anna Francesca Cremascoli (b)
Patrizia Galvagni (a) (c) (e)
Riccardo Perotta (a) (c) (d) (e)
Anna Saraceno
Manager in charge of financial 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 29 April 2020



Lettera agli Azionisti

Letter to Shareholders

Directors’ Report on Operations

Letter to Shareholders

Dear Shareholders,

2019 was an extremely important year for the Group, which has now fully completed the phase of reorganisation of previous years, 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 2019, the Group's management always maintained a high level of attention on all the opportunities for new investments present in the market, implementing significant acquisitions:

- in business sectors in which it was already present, through further growth in the healthcare sector by the dynamic company headed up by the subsidiary Gruppo Zaffiro S.r.l. and the acquisition, in June, of Galassia S.r.l. and Disegno Ceramica S.r.l., which support the subsidiary Ceramica Cielo in the bathroom fixtures sector, an important reference in the sector owing to its highly recognisable name in high-end and designer products;
- in a new business sector, through the acquisition, in November, of 90% of Sport Fashion Service S.r.l., a company that operates in the clothing market, headed up by the iconic brand Ciesse Piumini.

It should be noted that, as a result of the significant strategic acquisitions made up until now, the Group is currently operational in four investment verticals which, despite the difficult situation that has arisen globally due to the explosion of the health emergency from February 2020 (in relation to which reference should be made to the various sections of this report for more details), present high medium/long-term income prospects. In particular, the Group is active:

- 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 and able to become 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 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;
- in the clothing sector, through Sport Fashion Service S.r.l., a company acquired in November 2019 which operates in the informal clothing market and, in particular, in the urban/lifestyle and outdoor segments and which owns the iconic, highly renowned brand Ciesse Piumini, and which has extended, over time, the experience built up in technical-sports products, also intended for extreme expeditions, clothes suited to urban fashion, combining manufacturing excellence with comfort and style.

A more detailed analysis of the most significant transactions carried out in 2019, the result of intense scouting and analysis activities performed by the management of Mittel S.p.A. and the key managers of the operating investees, shows the following:

- 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, Mittel Design S.r.l., a wholly-owned subsidiary of Mittel S.p.A., continuing the growth process in the Design sector, Mittel finalised the acquisition of 90% of Galassia Group S.r.l. (then subject to a reverse merger into Galassia 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 Mittel Design S.r.l., characterised by clear recognition in various segments and products, establishing a group with more than 350 employees;
- in November, Mittel S.p.A. acquired, at a price of EUR 11,25 million, a stake of 90% of Sport Fashion Service S.r.l. (Ciesse Piumini), as part of a transaction fully consistent with the value creation project focussed on a strategy of diversified investments in sectors of Made in Italy excellence*;* Ciesse Piumini's development strategy provides for the creation of an omnichannel distribution model, through strong brand growth in the digital sale and communication channels, further strengthening in the traditional distribution channel and selective development in international markets; through the acquisition, the Group aims, thanks also to the reinforcement of the managerial team on the back of the acquisition, to achieve a significant increase in revenue, by consolidating the profit margins already recorded today by the company. In 2019, the company registered revenue of roughly EUR 26 million, with EBITDA standing at approximately EUR 5 million; the net financial position at year-end (negatively influenced by seasonal factors) was around EUR 11,5 million.

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:

- as regards disposals, the process of sale of the historic portfolio of non-strategic assets is continuing, which during the year, mainly concerned property inventories, financial receivables and tax credits; only in 2019 were additional financial resources recovered for over EUR 41 million, a result that takes on increasingly greater significance considering that it occurred after an extensive recovery process already launched in previous years and that had already generated important results (collections of around EUR 134 million in the previous three-year period, without considering the additional significant sale of the equity investment held in Livanova, which involved the collection of an additional EUR 110 million);
- 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 2019:
  - (i) a significant corporate restructuring transaction within the Zaffiro Group, which led to the combination of different corporate vehicles, which previously oversaw the management of different Nursing Homes, into two regional companies; the transaction will enable the achievement of a notable organisational simplification of the Group, also needed in light of the major growth process undertaken in the last few years; the simplification also allows a considerable cost saving based on the synergies that can be obtained and more effective company management, by subdividing roles and responsibilities by geographic area; the combination, together with a previous transfer, has also enabled the rationalisation of the Group's financial structure, focussing the cash flows from operations more on the repayment of debt, previously payable by the holding and not the operating subsidiaries; the restructuring will therefore enable structure costs to be reduced, the realisation of synergies at different functional levels, the consolidation of the value created and orientation towards greater value creation, given the growth objectives that the Group has set;
  - (ii) the conclusion of the liquidation of Ghea S.r.l. and the placement in liquidation of two additional corporate vehicles, 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;
  - (iii) the reverse merger of Galassia Group S.r.l. in its subsidiary Galassia S.r.l. (formerly Galassia S.p.A.), realised based on the same approach to rationalising and increasing the efficiency of the Group's corporate structure;
- 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; the Group today has an extremely solid financial position and consistently enjoys significant financial resources for new transactions or to support investees already owned, in line with the strategic objectives in the process of being implemented.

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, the Mittel Group will continue with the process of recovering financial resources from previous real estate initiatives, from financial receivables and other non-core assets, also benefiting from the launch, in the last year, 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. This process will further promote the path of growth undertaken, continuing on with the strategic guidelines and will enable further pursuit of its vocation as holding of industrial holdings, with a major focus on the development of significant investments made in the last few years, and with the objective of creating long-term value for all shareholders.

Andamento del Gruppo

Group Performance

Group Performance

It should be noted that due to the first-time adoption 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 31 December 2019 (and in particular those of the Nursing Home sector, characterised by long-term lease contracts), resulting in the following main effects:

- a higher value of EUR 193,4 million of fixed assets (right of use of properties);
- an increase in the value of the consolidated net financial position of EUR 206,2 million, therefore not dependent on a higher financial exposure in the strict sense but the valuation of the contractual obligation connected with the right of use;
- an increase of EUR 8,9 million in the operating margin (EBITDA), essentially deriving from lease payments, excluding the negative impact on non-recurring profit items. For details please refer to the capital gains from disposal in the Nursing Home sector;
- an overall negative impact of EUR 1,5 million on the Group's net result.

In addition to the profit impact indicated above (on the whole negative due to the prevalence of amortisation of the right of use and financial expenses on financial liabilities booked on the write-off of lease payments), as a result of the specific accounting rules for sale and lease-back transactions envisaged by the new standard, capital gains of roughly EUR 5,6 million were written off for accounting purposes (EUR 4,0 million net of the effects for deferred tax assets recognised, of which EUR 2,4 million pertaining to the Group), which was earned as part of significant sale transactions for the real estate component of the Nursing Home sector. The non-recognition as revenue of 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 rights of use, currently recognised in assets at the original value.

Despite the substantial negative effects on the result described above resulting from the application of IFRS 16, explained as merely being of an accounting nature, in 2019, the consolidated net result was positive for EUR 0,3 million, with a profit pertaining to the Group of EUR 0,5 million and a loss pertaining to non-controlling interests of EUR 0,2 million.
This profit was generated by a positive operating margin of EUR 24,1 million, mainly attributable to the contribution of the positive operating margins of the majority shareholdings acquired in recent years. However, as a consequence of the timing of the associated acquisitions, the two new Design sector companies (Galassia Group S.r.l. and Disegno Ceramica S.r.l., acquired in June) and the two Nursing Homes acquired from the Zaffiro Group in July were only consolidated for the second half of 2019, while the investee Sport Fashion Service S.r.l. (Ciesse Piumini) contributed, for the same reasons, only for two months to the consolidated income statement. Vice versa, all transaction costs incurred for the acquisitions were recognised as costs, as required by the accounting standards for business combinations.
The positive operating margin described above is offset by amortisation, depreciation and allocations, totalling EUR 14,7 million and primarily attributable to the amortisation of the rights of use recognised pursuant to IFRS 16 (EUR 7,1 million) and depreciation of other tangible assets for industrial subsidiaries (EUR 7,0 million), and in particular, for IMC S.p.A. (EUR 4,0 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 12,2 million, is relative to the financial expenses recognised in accordance with IFRS 16 for EUR 5,2 million and the residual EUR 7,0 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 1,4 million, related to the valuation of residual non-core financial assets owned, and positive income components related to taxation for EUR 4,1 million, essentially attributable to the recognition of deferred tax assets due to the application of IFRS 16 and the recalculation, performed in June, of latent tax benefits that can be used as part of the Parent Company's tax consolidation.

The Group equity as at 31 December 2019 amounted to EUR 220,1 million, a decrease of EUR 1,1 million compared to EUR 221,2 million as at 31 December 2018. The net result pertaining to the Group, positive for EUR 0,5 million, is in fact offset by contrasting movements in equity, with no impact on the income statement, totalling negative EUR 1,6 million. The main changes in the statement of financial position include:

- a positive impact of EUR 2,1 million due to the purchase of Sport Fashion Service S.r.l., for which the purchase price, inclusive of the best estimate of the expected earn-out, was below the net book value of the entity acquired; this differential was not recognised as profit in the in the income statement, given the nature of transaction under common control;

- a positive impact of EUR 1,3 million due to the share capital increase carried out by the minority shareholder of Gruppo Zaffiro S.r.l., up from 25% to 40%, carried out under better conditions than the net book value of the entity in the consolidated financial statements;
- a positive impact of EUR 0,6 million deriving from the almost full purchase of the interest held by third parties in the investee Earchimede S.p.A.;
- a negative impact, for EUR 1,7 million, from the first-time adoption of the IFRS 16 international accounting standard (effective 1 January 2019);
- a reduction of EUR 3,3 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 was negative by EUR 251,9 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 payments totalling EUR 206,2 million (largely relating to the Nursing Home sector), and major acquisitions completed in the year.

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)	**31.12.2019**	**31.12.2018**
Revenue and other income	150.762	117.652
Increases (decreases) in inventories	(14.609)	(10.250)
Net revenue	**136.153**	**107.402**
Purchases, provision of services, sundry costs	(71.369)	(65.315)
Personnel costs	(40.639)	(30.662)
Operating costs	**(112.008)**	**(95.977)**
Operating margin (EBITDA)	**24.145**	**11.425**
Amortisation/depreciation, allocations and adjustments to non-current assets	(14.736)	(5.950)
Inventory value adjustments	-	(2.502)
Share of income (loss) of investments	7	(668)
Operating result (EBIT)	**9.417**	**2.305**
Profit (loss) from financial management	(12.219)	(12.145)
Result of management and valuation of financial assets and receivables	(1.083)	4.303
Profit (loss) before taxes	**(3.885)**	**(5.538)**

Taxes	4.138	7.846
Net profit (loss) for the year	**253**	**2.308**
Profit (loss) pertaining to non-controlling interests	(197)	985
Profit (loss) pertaining to the Group	**450**	**1.324**

For greater clarity and an easier comparison with the profit margins of the period of comparison, the following table shows the impact of the application of IFRS 16 on EBITDA.

(Thousands of Euro)	**31.12.2019**	**31.12.2018**
Operating margin (EBITDA) post IFRS 16	**24.145**	**11.425**
Lease payments	(8.950)	-
Operating margin (EBITDA) before IFRS 16	**15.195**	**11.425**

Similarly, a reconciliation of the Group result that would have been recorded in the event of the application of IFRS 16 is reported below.

(Thousands of Euro)	**31.12.2019**	**31.12.2018**
Profit (loss) pertaining to the Group post IFRS 16	**450**	**1.324**
Lease payments	(8.950)	-
Amortisation/depreciation	7.115	-
Financial expenses	5.205	-
Deferred tax assets	(940)	-
Profit (loss) pertaining to non-controlling interests	(928)	-
Ordinary profit (loss) pertaining to the Group before IFRS 16	**1.952**	**1.324**
Sale & leaseback capital gains	5.588	-
Deferred tax assets	(1.559)	-
Profit (loss) pertaining to non-controlling interests	(1.612)	-
Profit (loss) pertaining to the Group before IFRS 16	**4.369**	**1.324**

Before going on to analyse the most significant individual items of the consolidated income statement, it should be noted that revenue and other income of the consolidated industrial sectors as at 31 December 2019 (represented by the Nursing Home sector, headed up by Gruppo Zaffiro S.r.l., by the Automotive sector, in which IMC S.p.A. and its subsidiary Balder S.r.l. operate, the Design sector, attributable to Ceramica Cielo S.p.A. and, from the second half, Galassia S.r.l. and Disegno Ceramica S.r.l. and to the Clothing sector, in which Sport Fashion Service S.r.l. operates, consolidated from November 2019) is particularly significant, equivalent to EUR 130,3 million (EUR 101,5 million in the previous year), corresponding to roughly 86% of consolidated revenue and other income (equal to EUR 150,8 million, compared to EUR 101,5 million in the previous year).

During the year, these industrial sectors contributed in generating a broadly positive consolidated operating margin, equivalent to EUR 24,1 million (EUR 11,4 million as at 31 December 2018), as a result of the following net contributions by sector:

- *Nursing Homes*: EBITDA of EUR 12,7 million (EUR 3,3 million as at 31 December 2018), positively influenced by both the application of IFRS 16 (EUR 3,1 million), which resulted in lease payments no longer being recognised as operating costs, but which also prevented the accounting of capital gains for EUR 5,6 million on assets transferred and leased back; note should also be taken of the positive performance of the Group’s ambitious growth project, with the important contribution to the sector result of recently opened nursing homes (Rivignano) or acquisitions (mainly Villa Gisella, with registered office in Florence);

- *Design*: EBITDA of EUR 8,8 million (EUR 6,8 million as at 31 December 2018), a net increase, despite the negative contribution of transaction costs incurred for the acquisitions of Galassia S.r.l. and Disegno Ceramica S.r.l. (whose margins were, as described, consolidated in the second half), as a result of continued growth in revenue and profits for Ceramica Cielo S.p.A.;
- *Automotive*: EBITDA of EUR 6,0 million (EUR 10,0 million as at 31 December 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 1,5 million (negative for EUR 1,1 million as at 31 December 2018), but with strong revenue growth (EUR 16,3 million compared to EUR 13,6 million in the previous year), confirmation of the particularly positive performance in sales of the substantial property inventories held by the Group;
- *Equity and Investments*: negative EBITDA of EUR 2,1 million (negative for EUR 7,8 million as at 31 December 2018), positively influenced by the significant capital gain recorded thanks to the sale of the previous office in Piazza Diaz 7, Milan (EUR 3,7 million).

Details on the most significant items are presented below.

- **Revenue and other income:** this reclassified item includes the financial statement items for revenue and other income, which, as at 31 December 2019 had a balance of EUR 150,8 million (EUR 117,7 million in the comparison period). This balance was the combined result of the following factors:
  (i) revenue recognition for EUR 141,3 million (EUR 113,9 million as at 31 December 2018); the following sectors primarily contributed to this total:
    - the Automotive sector (IMC and Balder) for EUR 32,1 million (EUR 42,1 million in the comparison period);
    - the Nursing Home sector (Gruppo Zaffiro and subsidiaries) totalled EUR 45,1 million (EUR 29,9 million in the comparison period);
    - the Design sector (Ceramica Cielo and, only for the second half, Galassia and Disegno Ceramica) for EUR 44,9 million (EUR 26,3 million attributable solely to Ceramica Cielo in the comparison period);
    - the Real Estate sector for EUR 16,3 million (EUR 13,6 million in the comparative period);
    - the Clothing sector for EUR 2,8 million (absent in the comparative period), which only contributed for the last two months of the year, which are seasonally characterised by lower revenue;

  (ii) the recognition of other income for EUR 9,5 million (EUR 3,7 million in the comparative period), attributable to Mittel for EUR 3,8 million (mainly relating to the capital gain recorded by the sale of the office in Piazza Diaz, 7), to the Design sector for EUR 3,4 million, to the Nursing Home Sector for EUR 1,4 million and the Automotive sector for EUR 0,7 million.

- **Increases (decreases) in inventories:** the negative contribution recorded during the year, amounting to EUR 14,6 million (EUR 10,2 million in the comparison period), is due to the net effect of:
  (i) the reduction for offloading of selling costs of property inventories for EUR 14,9 million (EUR 12,1 million as at 31 December 2018);
  (ii) the increase in property inventories for costs capitalised and other changes for EUR 1,9 million (EUR 0,9 million as at 31 December 2018);
  (iii) the net increase in the inventories of the Clothing sector for EUR 0,7 million (change from the date of first consolidation)
  (iv) the substantial overall stability of inventories in the Design sector (increase of EUR 0,7 million in the comparison period)
  (v) the net reduction in inventories of the Automotive sector for EUR 2,3 million (EUR 0,3 million in the comparison period).

- **Costs for purchases, provision of services, sundry costs**: this item, totalling EUR 71,4 million (EUR 65,3 million as at 31 December 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 39,0 million (EUR 33,7 million in the comparison period), costs for services of EUR 28,9 million (EUR 29,0 million as at 31 December 2018), and sundry costs of EUR 3,5 million (EUR 2,6 million in the comparison period). The main contributors to this item were the following sectors:
  (i) Automotive sector for EUR 19,1 million (EUR 27,1 million in the comparative period);

(ii) the Design sector, with the contribution of Ceramica Cielo for the whole year, and Galassia and Disegno Ceramica for the second half, for EUR 27,1 million (EUR 15,4 million attributable solely to Ceramica Cielo in the comparison period);
(iii) the Nursing Home sector for EUR 14,4 million (EUR 13,1 million in the comparative period);
(iv) the Parent Company Mittel for EUR 3,2 million (EUR 5,8 million in the comparison period, of which EUR 0,4 million of an extraordinary nature relating primarily to acquisitions;
(v) the Real Estate sector for EUR 4,5 million (EUR 2,4 million in the comparative period);
(vi) the Clothing sector for EUR 2,8 million (contribution in the last two months of the year).

- **Personnel costs**: the item reported a balance of EUR 40,6 million (EUR 30,7 million as at 31 December 2018), of which EUR 19,2 million deriving from the Nursing Home sector (EUR 13,4 million in the comparison period), EUR 12,4 million relating to the Design sector (EUR 6,6 million in the comparison period, to which only Ceramica Cielo contributed), EUR 5,2 million attributable to the Automotive sector (EUR 6,3 million in the comparison period), and EUR 3,1 million relating to the Parent Company Mittel (value in line with the comparison period but influenced by extraordinary costs for EUR 0,6 million).

- **Amortisation/depreciation, allocations and adjustments to non-current assets**: the item showed a total balance as at 31 December 2019 of EUR 14,7 million (EUR 6,0 million as at 31 December 2018), due to:
  (i) Amortisation/depreciation of intangible assets and property, plant and equipment of EUR 14,5 million (EUR 5,7 million in the comparison period), mainly due to amortisation of rights of use recognised as part of the application of IFRS 16 (EUR 7,1 million, of which EUR 5,4 million pertaining to the Nursing Home sector) and the remaining portion related to depreciation on other tangible assets held by the operating companies (EUR 4,2 million for Automotive sector, EUR 2,1 million for Design sector, and EUR 0,8 million for Nursing Home sector);
  (ii) Net allocations to the provision for risks and charges for EUR 0,2 million (in line with the comparison period).

- **Profit (loss) from financial management**: presented a net loss of EUR 12,2 million (loss of EUR 12,1 million in the comparison period); the item is attributable to financial expenses of EUR 5,2 million recognised in accordance with IFRS 16 (EUR 4,7 million pertaining to the Nursing Home sector) and the remaining EUR 7,0 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 4,4 million) is related to financial income for EUR 2,1 million (mainly due to interest accrued on residual financial receivables held) and financial expenses of EUR 6,5 million, almost entirely related to the two outstanding bonds, one of which was repaid at its contractual maturity in July 2019, with a negative impact on the income statement until said date (for EUR 1,5 million).

- **Result of management and valuation of financial assets and receivables**: the item made a negative contribution to the consolidated income statement of EUR 1,1 million (positive for EUR 4,3 million as at 31 December 2018) and is explained by:
  (i) Net income from investments for EUR 0,3 million (EUR 8,8 million in the comparison period, due almost entirely to a non-recurring item), 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 to financial assets and receivables for EUR 1,4 million (net value adjustments of EUR 4,7 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 value adjustments of EUR 1,0 million in the comparison period); however financial receivables did not incur significant changes (net value adjustment of EUR 3,7 million in the comparison period).

- **Taxes**: the item made a positive contribution to the consolidated income statement of EUR 4,1 million (positive contribution for EUR 7,8 million as at 31 December 2018) and is primarily explained by the net effect of:
  (i) the cost for current IRAP taxes of EUR 2,1 million, relative to the Nursing Home sector for EUR 1,4 million, the Design sector for EUR 0,5 million, and the Automotive sector for EUR 0,1 million;
  (ii) revenue from the release of deferred taxes totalling EUR 1,8 million, of which EUR 0,9 million pertaining to the Automotive sector and EUR 0,8 million to the Nursing Home sector, for the

gradual re-absorption of differences between tax values and accounting values for consolidated assets, recognised in prior years or at the time of first consolidation;

(iii) income from the change in deferred tax assets for EUR 3,8 million, essentially attributable to the recognition of deferred tax assets due to the application of IFRS 16 and the recalculation, as at 30 June 2019, 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)	31.12.2019	31.12.2018
Intangible assets	105.502	73.369
Property, plant and equipment	260.557	46.889
- of which IFRS 16 rights of use	*193.382*	-
Investments	6.113	6.121
Non-current financial assets	49.821	63.665
Assets (liabilities) held for sale	-	18.414
Provisions for risks, employee severance indemnity and employee benefits	(9.661)	(6.834)
Other non-current assets (liabilities)	71	746
Tax assets (liabilities)	2.290	2.821
Net working capital (*)	74.239	73.609
Net invested capital	**488.932**	**278.800**
Equity pertaining to the Group	(220.127)	(221.153)
Non-controlling interests	(16.875)	(28.128)
Total equity	**(237.002)**	**(249.281)**
Net financial position	**(251.930)**	**(29.519)**
- of which IFRS 16 rights of use	*(206.182)*	-
Net financial position before IFRS 16	**(45.748)**	**(29.519)**

(*) 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 the previous years and the additional ones completed during the year in the Design, Nursing Home and Clothing sectors. 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 105,5 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, 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 during previous years and in 2019 related to the acquisition in March 2018 of the business unit of a nursing home based in Sanremo (EUR 0,5 million in goodwill), 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) and the purchase of three Nursing Homes in Piedmont (totalling EUR 3,0 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. In addition, as

regards the Design sector, in 2019, goodwill was registered, relating to the acquisitions of Galassia S.r.l. (EUR 6,7 million) and Disegno Ceramica S.r.l. (EUR 2,1 million) pending the full completion of the process of allocation 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.
In addition, 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.
Lastly, the purchase of Sport Fashion Service S.r.l., completed in November 2019, although not involving the recognition of any goodwill from first-time consolidation (the difference, however positive, between the net book value and the purchase consideration, including the expected outlay for the earn-out, which qualifies as a bargain purchase, was booked as a direct increase of equity, and not as profit in the income statement, as a result of the nature of a transaction under common control), determined the initial recognition, based on continuity of values, of goodwill (EUR 18,4 million) and trademarks (EUR 1,8 million) recognised in the IFRS first-time consolidation package of the company at the acquisition date.

Property, plant and equipment amounted to EUR 260,6 million (EUR 46,9 million as at 31 December 2018), of which EUR 193,4 million for IFRS 16 rights of use (EUR 172,4 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 67,2 million, was heavily influenced by the contribution from the Automotive sector, amounting to EUR 20,3 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 22,9 million (of which EUR 12,5 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 6,7 million relative to Ceramica Cielo S.p.A., EUR 11,1 million to Galassia S.r.l., and EUR 5,6 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 49,8 million (EUR 63,7 million as at 31 December 2018) and refer: i) for EUR 33,5 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 16,4 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 by the subsidiary Earchimede S.p.A.

Provisions for risks, employee severance indemnity and employee benefits amounted to EUR 9,7 million (EUR 6,8 million as at 31 December 2018). In particular, as at 31 December 2019, this item is composed, for EUR 7,7 million, of *Provisions for personnel* (EUR 5,3 million in the comparison period) and, for EUR 1,9 million, of *Provisions for risks and charges* (EUR 1,5 million in the comparison period). The main contributors to the item *Provisions for personnel* were from the Nursing Home sector (EUR 2,5 million), Design sector (EUR 3,0 million), the Parent Company Mittel S.p.A. (EUR 1,1 million), the Automotive sector (EUR 0,6 million) and the Clothing sector (EUR 0,4 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 2,3 million (EUR 2,8 million as at 31 December 2018), and is composed of the sum of current tax assets of EUR 1,6 million (EUR 5,8 million as at 31 December 2018) and deferred tax assets of EUR 11,4 million (EUR 4,6 million in the comparison period), offset by deferred tax liabilities of EUR 9,1 million (EUR 7,0 million in the comparison period) and current tax liabilities for EUR 1,6 million (EUR 0,5 million in the comparison period).

Net working capital amounted to EUR 74,2 million (EUR 73,6 million as at 31 December 2018). The item is composed of: (i) the value of Inventories for EUR 78,5 million, attributable for EUR 51,9 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 16,2 million to the Design sector (a net increase compared to EUR 5,3 million in the comparison period mainly due to acquisitions carried out in the year), for EUR 5,6 million to the Automotive sector (EUR 7,9 million in the comparison period) and for EUR 4,8 million to the Clothing sector (absent in the comparison period); (ii) Sundry receivables and other current assets amounting to EUR 50,2 million (EUR 23,2 million in the comparison period), mainly comprised of the contribution from the Design sector for EUR 17,1 million (EUR 7,9 million as at 31 December 2018), the Nursing Home sector for EUR 10,4 million (EUR 5,2 million as at 31 December 2018), the Automotive sector for EUR 6,2 million (EUR 7,0 million as at 31 December 2018) and the Clothing sector for EUR 13,7 million (absent in the comparison period); and (iii) Sundry payables and other current liabilities for EUR 54,5 million (EUR 27,9 million in the comparison period), to which the main contributors were the Design sector for EUR 20,0 million (EUR 6,9 million as at 31 December 2018), the Nursing Home sector for EUR 12,7 million (EUR 7,6 million as at 31 December 2018), the Automotive sector for EUR 7,4 million (EUR 8,1 million as at 31 December 2018) and the Clothing sector for EUR 6,6 million (absent in the previous year).

As a result, **net invested capital** amounted to EUR 488,9 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 193,4 million, as previously explained. Invested capital is financed by equity for EUR 237,0 million (EUR 249,3 million in the comparison period) and by the net financial position for EUR 251,9 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 206,2 million).

Equity pertaining to the Group amounted to EUR 220,1 million (EUR 221,2 million as at 31 December 2018), while that pertaining to non-controlling interests amounted to EUR 16,9 million (EUR 28,1 million as at 31 December 2018).

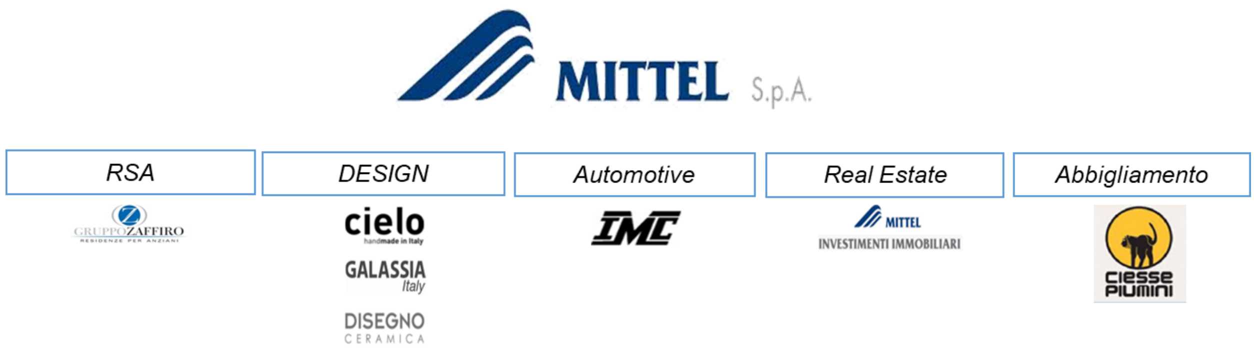
Given the performance of consolidated equity and profit figures described above, the negative **net financial position** amounted to EUR 251,9 million (EUR 29,5 million as at 31 December 2018). The detailed breakdown of the item is provided below. As previously discussed, the considerable deterioration is attributable to the application of IFRS 16, which led to the recognition of incremental financial payables for EUR 206,2 million. Net of said component, the net financial position was EUR 45,7 million, marking a worsening due to significant acquisitions made in the year (Sport Fashion Service, Galassia, Disegno Ceramica and add-on Zaffiro Group), partially, but significantly, offset by the notable generation of financial resources by the industrial investees and the process of increasing the value of non-core assets.

Statement relating to the net financial position

(Thousands of Euro)	31.12.2019	31.12.2018
Cash	103	224
Other cash and cash equivalents	173.062	223.598
Securities held for trading	-	-
Current liquidity	**173.165**	**223.822**
Current financial receivables	**25**	**-**
Bank loans and borrowings	(71.805)	(56.615)
Bonds	(131.397)	(174.100)
Other financial payables	(221.918)	(22.626)
Financial debt	**(425.120)**	**(253.341)**
Net financial position	**(251.930)**	**(29.519)**
- of which IFRS 16 financial liabilities	*(206.182)*	-
Net financial position before IFRS 16	**(45.748)**	**(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. (60%), 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 a majority shareholding in Ceramica Cielo S.p.A. (90%), as well as, from June 2019, in Disegno Ceramica S.r.l. (80%) and Galassia S.r.l. (90%) 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 a majority shareholding in I.M.C. - Industria Metallurgica Carmagnolese S.p.A. (75%), the Group is active in the automotive sector and, specifically, in the construction of moulds and cold sheet metal stamping;
- **Clothing**: in November 2019, by acquiring control of Sport Fashion Service S.r.l. (90%), the Group joined the Clothing sector with the iconic brand Ciesse Piumini; the return to the urban/lifestyle and outdoor clothing sector, as part of an investment strategy aimed at grasping opportunities in Made In Italy sectors and brands with significant growth prospects, further increased the degree of diversification of the Group's investments portfolios;
- **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. It should be noted that the Group's operations are today geared towards professionally enhancing the investments in place, by recovering significant liquid resources, without taking a further position on the sector;
- **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. This sector is also gradually developing in order to recover liquid resources to be used in investment core business.

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.

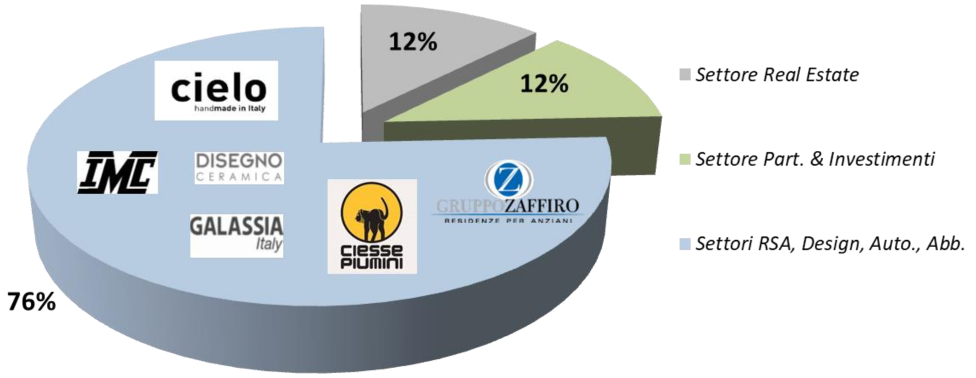
Segment groupings are defined by the following companies (only main companies are listed):

- <u>Nursing Homes</u>: Gruppo Zaffiro S.r.l. and subsidiaries;
- <u>Design</u>: Ceramica Cielo S.p.A., Galassia S.r.l., Disegno Ceramica S.r.l. and Mittel Design S.r.l. (holding parent company for the sector);
- <u>Automotive</u>**:** IMC - Industria Metallurgica Carmagnolese S.p.A. and Balder S.r.l.;
- <u>Clothing</u>**:** Sport Fashion Service 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.

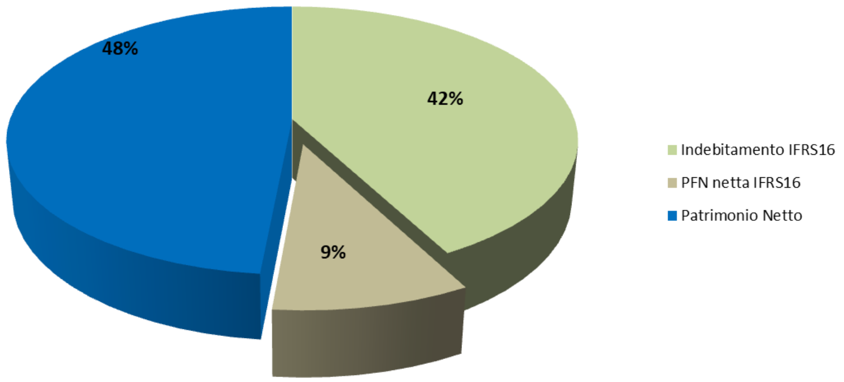
- INVESTED CAPITAL BY BUSINESS SEGMENT -

EUR 488,9 million



- FUNDING SOURCES -

EUR 488,9 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.

31 December 2019

Dati in mln di Euro	31/12/2019									
AGGREGATO \ CONSOLIDATO	**Ricavi netti**	**Costi operativi**	**EBITDA**	**Ammortamenti e Svalutazioni**	**Quota risultato delle partecipazioni**	**Risultato gestione finanziaria**	**Risultato attività finanziarie e crediti**	**Imposte**	**Risultato di Terzi**	**Risultato di Gruppo**
Settore Part. & Investimenti	4,7	-6,7	-2,1	-0,4	0,0	-3,9	0,7	5,0	-0,2	-0,5
Settore RSA	46,5	-33,7	12,7	-6,3	-	-6,0	-0,1	-0,6	-0,1	-0,1
Settore Design	48,3	-39,5	8,8	-2,4	-	-0,7	-0,1	1,8	0,4	3,5
Settore Automotive	30,4	-24,5	6,0	-5,6	-	-1,6	-	0,3	-0,2	-0,6
Settore Abbigliamento	3,5	-3,3	0,3	-0,1	-	-0,1	-0,0	-0,0	-0,0	0,0
Settore Real Estate	3,4	-4,9	-1,5	-0,0	-	-0,0	-1,5	1,2	-0,0	-1,8
ELIMINAZIONE IC	-0,6	0,6	-	-	-	-0,0	-			
TOTALE CONSOLIDATO	**136,2**	**-112,0**	**24,1**	**-14,7**	**0,0**	**-12,2**	**-1,1**	**4,1**	**-0,2**	**0,5**

31 December 2018

Dati in mln di Euro	31/12/2018									
AGGREGATO \ CONSOLIDATO	**Ricavi netti**	**Costi operativi**	**EBITDA**	**Ammortamenti e Svalutazioni**	**Quota risultato delle partecipazioni**	**Risultato gestione finanziaria**	**Risultato attività finanziarie e crediti**	**Imposte**	**Risultato di Terzi**	**Risultato di Gruppo**
Settore Part. & Investimenti	1,5	-9,3	-7,8	-0,3	-0,7	-1,2	6,4	9,6	1,3	4,7
Settore RSA	30,1	-26,8	3,3	-0,8	-	-6,9	-0,1	-0,8	-1,3	-4,0
Settore Design	28,9	-22,1	6,8	-0,8	-	-0,2	-0,0	-1,7	0,9	3,3
Settore Automotive	43,5	-33,5	10,0	-3,9	-	-1,5	-	-1,4	0,8	2,4
Settore Real Estate	2,5	-3,5	-1,1	-2,6	-	-2,4	-2,0	2,1	-0,8	-5,2
Settore Advisory	2,0	-1,8	0,1	-0,0	-	0,0	-0,0	0,1	0,1	0,1
ELIMINAZIONE IC	-1,0	1,0	-	-	-	-	-			
TOTALE CONSOLIDATO	**107,4**	**-96,0**	**11,4**	**-8,5**	**-0,7**	**-12,1**	**4,3**	**7,8**	**1,0**	**1,3**

Structure of the consolidated statement of financial position by business segment

31 December 2019

Dati in mln di Euro	31/12/2019										
AGGREGATO \ CONSOLIDATO	**Capitale circolante netto**	**Immobilizz.**	**Altre attività (passività)**	**Attività (passività) per vendita**	**Capitale Investito**	*Finanziato da*	**Posizione Finanziaria Netta**	**Patrimonio Netto**	*di cui*	**Patrimonio netto di Terzi**	**Patrimonio netto di Gruppo**
Settore Part. & Investimenti	4,1	49,1	4,8	-	58,0		75,1	133,2		1,9	131,3
Settore RSA	-5,1	242,8	-2,9	-	234,8		-219,6	15,2		6,1	9,1
Settore Design	11,7	43,8	-3,9	-	51,6		-22,2	29,4		2,4	27,0
Settore Automotive	2,8	51,5	-4,4	-	50,0		-32,6	17,4		4,3	13,0
Settore Abbigliamento	11,8	22,5	-0,6	-	33,7		-12,5	21,2		2,1	19,1
Settore Real Estate	48,9	12,2	-0,2	-	60,8		-40,1	20,7		0,1	20,7
TOTALE CONSOLIDATO	**74,2**	**422,0**	**-7,3**	**-**	**488,9**		**-251,9**	**237,0**		**16,9**	**220,1**

31 December 2018

Dati in mln di Euro	31/12/2018										
AGGREGATO \ CONSOLIDATO	**Capitale circolante netto**	**Immobilizz.**	**Altre attività (passività)**	**Attività (passività) per vendita**	**Capitale Investito**	*Finanziato da*	**Posizione Finanziaria Netta**	**Patrimonio Netto**	*di cui*	**Patrimonio netto di Terzi**	**Patrimonio netto di Gruppo**
Settore Part. & Investimenti	1,9	59,5	7,0	0,7	69,1		108,8	177,9		16,9	161,0
Settore RSA	-4,5	60,0	-2,8	17,8	70,5		-57,8	12,7		3,2	9,5
Settore Design	5,0	15,6	-1,4	-	19,1		-1,3	17,9		3,5	14,4
Settore Automotive	4,9	41,3	-5,9	-	40,3		-21,9	18,4		4,6	13,8
Settore Real Estate	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, Automotive and Clothing 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 2019 was equal to EUR 7,2 billion, down 26% compared to EUR 9,8 billion in 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 3,8 billion, essentially stable with respect to EUR 3,9 billion in 2018.
From the perspective of company size, the preponderance of transactions focused on companies with less than EUR 50 million in revenue confirms the significant competition in this segment, in which Mittel Group operates.

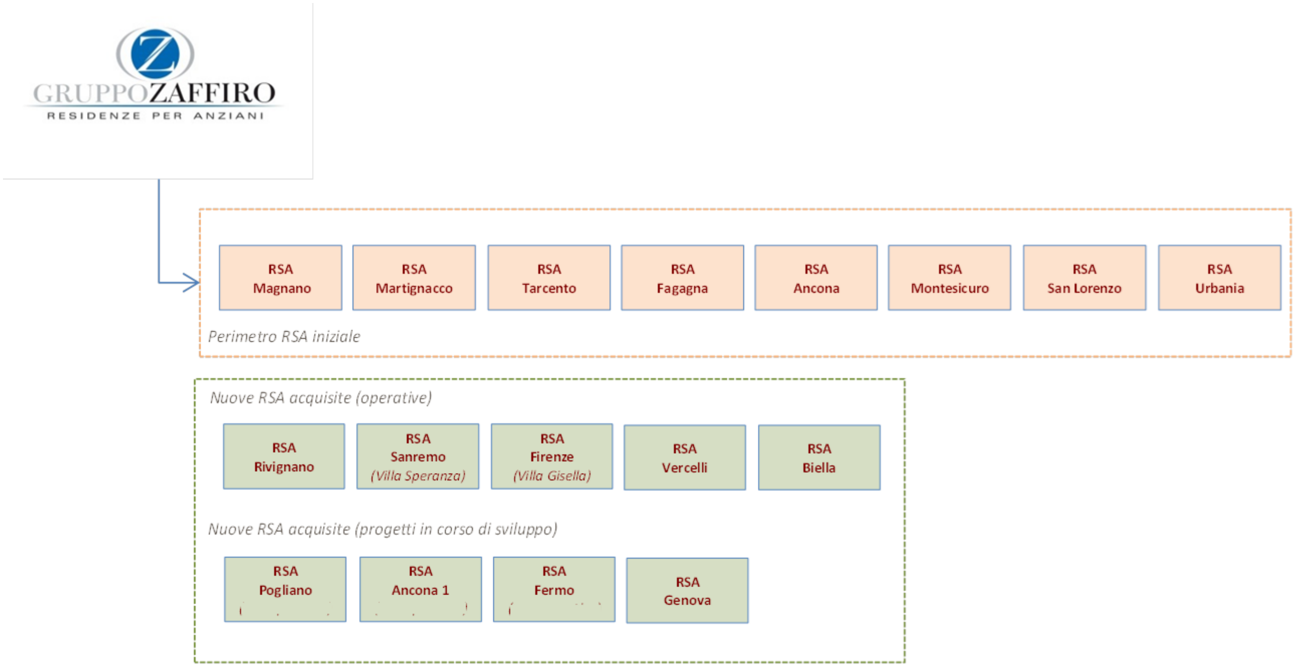
In this highly competitive framework, Mittel Group has given particular attention to creating value in the majority investments of the portfolio (Gruppo Zaffiro S.r.l, Nursing Home sector, 60%; Ceramica Cielo S.p.A., Design sector, 90%; Industria Metallurgica Carmagnolese S.p.A., Automotive sector, 75%), 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 S.r.l.), active in the ceramics district, to support Ceramica Cielo S.p.A.
Note that, in all the investments indicated above, 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).

A significant operation was then carried out in the second half, involving the entry in the Clothing sector, more specifically in the urban/lifestyle and outdoor segments, in which the Group has invested by acquiring control of 90% of Sport Fashion Service S.r.l., a company headed up by the brand Ciesse Piumini. This is the iconic, highly renowned brand, and which has extended, over time, the experience built up in technical-sports products, also intended for extreme expeditions, clothes suited to urban fashion, combining manufacturing excellence with comfort and style. The transaction is incorporated in an investment strategy aimed at grasping opportunities in Made In Italy sectors and brands with significant growth prospects, further increasing the degree of diversification of the Group's investments portfolios.

Nursing Home Sector

On 9 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 the Zaffiro Group up until the middle of the year, before the significant restructuring operation completed at the end of 2019, is presented below.



Zaffiro Group was the key player in a 2019 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. The significant capital gains implicit in the transactions carried out or planned, although not recognised for accounting purposes in the consolidated financial statements due to the application of IFRS 16, which involves the cancellation of the capital gains realised in sale and leaseback transactions, constitute strong confirmation of the effectiveness of the underlying transactions, are extremely interesting because they make it possible to effectively combine the profit advantages with the needs to reduce real estate and financial risk.

Transactions of this type continued in the second half, which saw the Group acquire, among other things, according to the same scheme of subsequent or simultaneous acquisition by the institutional investor of the real estate component, three Nursing Homes operating in Piedmont and two brownfield operations in Liguria.

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%.

In addition, in order to rationalise the Group's corporate structure, a corporate reorganisation process was launched in July, completed at the end of the year, through 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., in which all Nursing Homes previously managed through separate corporate vehicles were incorporated. The transaction will enable the achievement of a notable organisational simplification of the Group, also needed in light of the major growth process undertaken in the last few years; the simplification also allows a considerable cost saving based on the synergies that can be obtained and more effective company management, by subdividing roles and responsibilities by geographic area; the combination, together with a previous transfer, has also enabled the rationalisation of the Group's financial structure, bring the cash flows from operations closer to the repayment of debt, previously payable by the holding and not the operating subsidiaries; the restructuring will therefore enable structure costs to be reduced, the realisation of synergies at different functional levels, the consolidation of the value created and orientation towards greater value creation, given the growth objectives that the Group has set.

Settore RSA *Dati in Euro mln*	**31.12.2019**	**31.12.2018**
Ricavi Netti	**46,5**	**30,1**
Costi Operativi	**(33,7)**	**(26,8)**
EBITDA	**12,7**	**3,3**
Effetto IFRS 16	**(7,0)**	
EBITDA pre IFRS 16	**5,7**	**3,3**
Plus no IFRS 16	**5,6**	
Con Plus pre IFRS 16	**11,3**	**3,3**

EBITDA for the period was EUR 12,7 million, EUR 5,7 million prior to the application of IFRS 16, compared to EUR 3,3 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. It should also be noted that, in respect of the Primonial transaction described, significant capital gains were generated, not recognised for accounting purposes exclusively as a result: (i) of the application of IFRS 16, with the subsequent cancellation of the sale & leaseback capital gains for EUR 5,6 million; or (ii) their consequent achievement after business combinations, as part of which surpluses on the real estate component acquired together with the management were already registered at the time of the combination, before the sale, with the subsequent alignment of the assets acquired at the value of subsequent sale and, therefore, consequent non-recognition of capital gains (which, nonetheless, would have been cancelled for IFRS 16 purposes), but significant lower recognition of goodwill on the management component recorded together with the properties.

As at 31 December 2019, the net financial position was EUR 219,6 million and was heavily affected by the first-time adoption of IFRS 16. Excluding the portion of debt attributable to the mere application of said standard, amounting to EUR 184,7 million, net financial indebtedness as at 31 December 2019 amounted to EUR 34,9 million, a clear reduction from EUR 57,8 million as at 31 December 2018, despite the significant transactions carried out, due to the real estate sold during the period (including some real estate components, such as the Rivignano and Florence nursing homes, which were, by contrast, still held at the end of 2018). It should be noted that the value of the net financial position is influenced by the cost of progress of greenfield initiatives, which will be fully capitalised on from a financial perspective, on completion of the works, due to the implementation of the binding agreement with Primonial.

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:

During the year, since the acquisitions described above took place at the end of June 2019, these companies contributed to the consolidated income statement solely for one half, in addition to for transaction costs incurred for the acquisitions.

Settore Design *Dati in Euro mln*	**Complessivo Settore**	***Contribuzione Veicolo Mittel Design***	***Contribuzione Disegno e Galassia (6 mesi)***	***Contribuzione Cielo S.p.A. 31.12.2019***	*%*	***Cielo S.p.A. 31.12.2018***	*%*
Ricavi Netti	**48,3**	*0,0*	*16,5*	*31,8*		**28,9**	
Costi Operativi	**(39,5)**	*(0,9)*	*(15,3)*	*(23,3)*		**(22,1)**	
EBITDA	**8,8**	***(0,8)***	***1,3***	***8,4***		**6,9**	
Effetto IFRS 16 (affitti)	**(0,3)**		**(0,0)**	**(0,2)**			
EBITDA pre IFRS 16	*8,5*	*(0,8)*	*1,2*	*8,2*	*26%*	**6,9**	*24%*

As a result of the acquisitions completed in the middle of the year, which involved the recognition in the income statement of the related transaction costs and the consolidation of Galassia and Disegno Ceramica only for the second half (however, characterised by the recognition of some negative non-recurring items), the table above shows the separate contribution of Ceramica Cielo, by comparing the results of the latter with those of the previous year. The continuous growth of the company, with an EBITDA of EUR 8,4 million generated in the period (EUR 8,2 million before IFRS 16), compared to EUR 6,9 million (however already significant growth compared to previous years). The increase in EBITDA is the result of both a significant and continuous growth in revenue (roughly 10%) as well as an increase in margins, standing at around 26% in the period, mainly reflecting the operational start-up of the new production units acquired last year.

From an equity perspective, the sector incorporates the effects of the investments described (acquisitions of Galassia S.r.l. and Disegno Ceramica S.r.l.), fully financed with equity provided by the Parent Company. The net financial position of the sector stood at a total of EUR 22,2 million (EUR 21,0 million net of the impact of IFRS 16), however also including the loans granted by Mittel S.p.A. to the sector holding company Mittel Design S.r.l.. Net of this intercompany item, net financial debt amounted to EUR 12,6 million and includes, at 31 December 2019, a net bank debt of the sector holding company Mittel Design S.r.l. of roughly EUR 4,1 million.

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.

The overall macroeconomic picture in 2019 highlighted a marked slowdown. In contrast to stable or slightly increased consumption, a reduction in exports from the Eurozone to the rest of the world was registered in particular. In economies heavily focussed on foreign trade, like Germany (where exports account for 47% of

GDP), the reduction in exports directly impacted industrial production and the Automotive market was consequently heavily affected.
This situation greatly shaped the performance of IMC in the year. In 2019, the management, based on the driving force of Mittel, undertook a series of commercial development activities, to consolidate relationships with current customers and to diversify its future customer base, which it is confident will have a real impact at the moment of the recovery. It should be taken into consideration that, in the automotive sector in particular, development activities were characterised by a long-term horizon and the potential benefits of recently implemented commercial projects will therefore fully materialise over the next few years.

Settore Automotive *Dati in Euro mln*	**31.12.19**	*%*	**31.12.2018**	*%*
Ricavi Netti	**30,4**		**43,5**	
Costi Operativi	**(24,5)**		**(33,5)**	
EBITDA	**6,0**		**10,0**	
Effetto IFRS 16 (affitti)	**(1,5)**			
EBITDA pre IFRS 16	**4,5**	*15%*	**10,0**	*23%*

The EBITDA of the sector was EUR 6,0 million, EUR 4,5 million prior to the application of IFRS 16, compared to EUR 10,0 million in 2018. The reduction in EBITDA is a reflection of the economic difficulties indicated above, which are primarily reflected in lower volumes as well as a different mix (with lower average profit margin) of contracts that IMC Group worked on during the period.

As at 31 December 2019, the net financial position was EUR 32,6 million, including EUR 12,3 million deriving from the application of IFRS 16. Excluding this amount, net financial debt as at 31 December 2019 amounted to EUR 20,3 million, of which EUR 7,8 million to shareholders.

Clothing Sector

As detailed comprehensively in other sections of this report, in November, Mittel S.p.A. acquired a stake of 90% of Sport Fashion Service S.r.l. (Ciesse Piumini brand), as part of a transaction fully consistent with the value creation project focussed on a strategy of diversified investments in sectors of Made in Italy excellence.

While referring the reader to other sections of the report for more information on the important transaction carried out, the figures (adjusted based on international accounting standards) achieved by the company for the whole of 2019 are reported below.

Settore Abbigliamento *Dati in Euro mln*	**Settore Abbigliamento (12 mesi)**
Ricavi Netti	26,2
Costi Operativi	(20,7)
EBITDA	**5,5**
Effetto IFRS 16 (affitti)	(0,2)
EBITDA pre IFRS 16	**5,2**

Due to the date of purchase of the company (November 2019), the income statement was consolidated by Mittel only for the last two months of the year (not significant, however, in terms of revenue and profit margins due to the seasonality of the sector).

Settore Abbigliamento *Dati in Euro mln*	Settore Abbigliamento (2 mesi)
Ricavi Netti	3,5
Costi Operativi	(3,3)
EBITDA	**0,3**
Effetto IFRS 16 (affitti)	(0,0)
EBITDA pre IFRS 16	**0,2**

Ciesse Piumini's development strategy provides for the creation of an omnichannel distribution model, through strong brand growth in the digital sale and communication channels, further strengthening in the traditional distribution channel and selective development in international markets; through the acquisition, the Group aims, thanks also to the reinforcement of the managerial team on the back of the acquisition, to achieve a significant increase in revenue, by consolidating the profit margins already recorded today by the company.

Performance of the Real Estate Sector

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 2020 and for which sales activities have already begun, with excellent feedback from the market.

Dati in Euro/000	*(12 mesi)*	*(12 mesi)*
Settore Real Estate	**31-dic-19**	**31-dic-18**
Vendite e altri ricavi	16.390	13.664
Variazione Rimanenze	(12.984)	(11.212)
Costi Operativi	(4.921)	(3.506)
Margine Operativo Lordo	**(1.516)**	**(1.054)**
Rimanenze Immobiliari	**51.865**	**64.928**

In this context, the positive trend of the Group's real estate portfolio sales continued, with revenue of EUR 16,4 million earned - a significant increase over 2018, which however was already highly positive, starting to mark a turning point in the process of sales of historic real estate assets - and principally referring to sales for the residential projects located in: (i) Milan, Piazzale Santorre di Santarosa for EUR 9,9 million; (ii) Arluno (Milan) for EUR 3,7 million; (iii) Paderno Dugnano (Milan) for EUR 2,3 million.

The capital invested by the Group in the real estate sector, reflecting the trends described above, amounted to EUR 60,8 million as at 31 December 2019, a continuous reduction compared to EUR 79,7 million as at 31 December 2018 and more than EUR 100 million at the moment in which the new corporate bodies changed their strategic direction. The value of real estate funds (Augusto and Cosimo I Funds) is equal to EUR 12,1 million, corresponding to the Net Asset Value as at 31 December 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.

Performance of the Equity and Investments Sector

Settore Part. e Investimenti	31-dic-19	31-dic-18
Immobilizzazioni	49.127	59.498
Patrimonio Netto	133.181	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 2019, the process of recovering financial resources continued with the reduction of financial receivables (included among fixed assets) from EUR 45,8 million to EUR 33,2 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 17,2 million as at 31 December 2018, actually decreased to EUR 3,2 million as at 31 December 2019, and is expected to be zero in 2020.
Investments in the Design and Clothing sectors impacted the equity of the sector.

Performance of the Parent Company

MITTEL

Performance of the Parent Company

The Company closed the year ended as at 31 December 2019 with a profit of EUR 9,2 million (net profit of EUR 43,4 million as at 31 December 2018).

The result for the year was positively influenced by non-recurring items involving a highly significant amount, including which the following should be noted in particular: (i) important capital gain (EUR 3,7 million) recorded at the time of sale of the Piazza Diaz, 7 property held previously; (ii) the distribution of assets (EUR 9,8 million) at the time of final liquidation of the company Ghea S.r.l. in liquidation, a vehicle that still held a portion of liquidity pertaining to the Group, relating to the sale of Livanova PLC which took place in previous years.

Also ignoring the extraordinary factors better described above, the economic performance of the holding company nevertheless benefitted from the rationalisation measures implemented during the year, which resulted in further containment of operating costs and, at the same time, the continuation of the process of enhancing the value of the non-core assets in the portfolio, in line with the strategy defined at the Group level, for which reference is made to the earlier section regarding the performance of the Group as a whole.

Equity amounted to EUR 214,5 million at 31 December 2019, compared to EUR 205,2 million in the year ended as at 31 December 2018, marking an increase of EUR 9,2 million, due essentially to the net effect of the result for the year.

The net financial position was a positive EUR 49,4 million (positive EUR 58,8 million as at 31 December 2018), negatively impacted by the application of IFRS 16, which led to the recognition of incremental financial payables for EUR 5,7 million. Net of this component, the net financial position was a positive EUR 55,1 million, a worsening of just EUR 3,7 million compared to the comparison period, despite the sizeable investments made in acquisitions in the year (in particular, in the Design and Clothing sectors), thanks above all to the collection from the sale of the Piazza Diaz property (EUR 6,7 million) and significant distributions (totalling EUR 22,1 million) carried out by some investees in the historic perimeter (Ghea S.r.l. in liquidation, Earchimede S.p.A. and Mittel Advisory S.r.l. in liquidation) due to the enhancements made.

Financial highlights of Mittel S.p.A.

Main economic, financial and equity figures of Mittel S.p.A.

(Thousands of Euro)	31.12.2019	31.12.2018
Revenue and other income	4.703	1.426
Purchases, provision of services, sundry costs	(2.855)	(5.801)
Personnel costs	(3.123)	(3.138)
Net operating costs	**(1.276)**	**(7.513)**
Dividends	19.497	47.925
Profit (loss) from investments and financial assets	-	6.215
Operating margin (EBITDA)	**18.221**	**46.627**
Amortisation/depreciation, allocations and adjustments to non-current assets	(342)	(336)
Operating result (EBIT)	**17.879**	**46.292**
Profit (loss) from financial management	(3.922)	(2.156)
Value adjustments to investments and financial assets	(9.289)	(8.653)
Profit (loss) before taxes	**4.668**	**35.483**
Taxes	4.536	7.840
Net profit (loss) for the year	**9.204**	**43.324**

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

- **Revenue and other income:** EUR 4,7 million, a net increase compared to EUR 1,4 million as at 31 December 2018, mainly due to the capital gain recorded by the aforementioned sale of the property in Piazza Diaz 7 in Milan.

- **Purchases, provision of services, sundry costs:** EUR 2,9 million, compared to EUR 5,8 million as at 31 December 2018; more specifically, the reclassified item includes:
  (i) service costs for EUR 2,0 million (EUR 4,7 million as at 31 December 2018);
  (ii) other costs for EUR 0,8 million (EUR 1,1 million as at 31 December 2018).

- **Personnel costs:** EUR 3,1 million, essentially in line with the comparison period.

- **Dividends:** EUR 19,5 million (EUR 47,9 million as at 31 December 2018), of which EUR 9,8 million relating to the already stated distribution carried out by Ghea S.r.l in liquidation, EUR 7,5 million relating to the investee Earchimede S.p.A. (an amount, however, to be read together with the value adjustment of EUR 6,9 million carried out post-distribution to realign the book value of the investment to the new recoverable value) and EUR 2,0 million attributable to the distribution carried out by the investee Mittel Advisory S.r.l. in liquidation (again to be read together with a write-down of EUR 1,5 million carried out post-distribution).

- **Profit (loss) from financial management:** loss of EUR 3,9 million (loss of EUR 2,2 million in the comparison period). The item is attributable to the net effect of financial income for EUR 2,6 million (EUR 5,9 million in the previous year), relating mainly to interest income accrued on financial receivables, and financial expenses for EUR 6,5 million (EUR 8,1 million in the comparison period), relating almost entirely to the two bond loans previously in place, one of which was reimbursed on its natural expiry in July 2019, negatively influencing the income statement until said date (EUR 1,5 million).

- **Net value adjustments to investments and financial assets:** totalled EUR 9,3 million (EUR 8,7 million as at 31 December 2018) and referred to:
  (i) Value adjustments on investments for EUR 8,4 million (EUR 3,0 million in the comparison period), relating to Earchimede S.p.A. (EUR 6,9 million) and to Mittel Advisory S.r.l. in liquidation (EUR 1,5 million), but as better described, to be read together with the distributions carried out by the investees, accounted for as dividends;
  (ii) Net value adjustments to financial assets and receivables for EUR 0,9 million (EUR 5,7 million in the prior year); the item consists of a negative EUR 1,5 million in net write-downs on financial assets (value in line with the comparison period), due mainly to the effect of the fair value adjustment of the residual mutual real estate funds held and for a positive EUR 0,6 million for net value adjustments on financial receivables held (EUR 4,2 million in the comparison period), to align the measurements to recovery forecasts and expected collection timing as at the reporting date.

- **Taxes:** the item made a positive contribution to the income statement of EUR 4,5 million (positive contribution for EUR 7,8 million as at 31 December 2018) and is primarily explained by the effect of:
  (i) the recognition of the current tax benefit, totalling EUR 2,5 million, deriving from the use within the tax consolidation of current and previous tax losses and surpluses of interest expense related to the Company;
  (ii) revenue from the allocation of deferred tax assets for EUR 2,0 million, due to the significant additional modifications in the Group's perimeter that occurred with the acquisitions of the previous year, which resulted in the inclusion in the consolidated tax perimeter of new companies with considerable taxable income, which will make it possible to recover additional latent tax benefits, mainly represented by the substantial tax losses in prior years and interest expenses that can be carried forward, accrued by the Company in the previous years.

Main financial and equity figures of Mittel S.p.A.

(Thousands of Euro)	31.12.2019	31.12.2018
Intangible assets	17	41
Property, plant and equipment	6.117	3.266
- of which IFRS 16 rights of use	*5.612*	-
Investments	81.295	57.230
Non-current financial assets	70.110	75.987
Provisions for risks, employee severance indemnity and employee benefits	(1.446)	(1.411)
Other non-current assets (liabilities)	160	160
Tax assets (liabilities)	6.575	8.410
Net working capital (*)	2.199	2.784
Net invested capital	**165.027**	**146.466**
Total equity	**(214.452)**	**(205.259)**
Net financial position	**49.425**	**58.793**
- of which IFRS 16 financial liabilities	*5.678*	-
Net financial position before IFRS 16	**55.103**	**58.793**

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

Property, plant and equipment and intangible assets amounted to EUR 6,1 million (EUR 3,3 million in the prior year) and are primarily related to the rights of use resulting from the application of IFRS 16 (EUR 5,6 million). By contrast, note should be taken of the already described sale of the property on Piazza Diaz 7 in Milan, which explained the prevalent part of the balance of the previous year (EUR 3,1 million).

Investments amounted to EUR 81,3 million, compared to EUR 57,2 million in the year ended as at 31 December 2018. The net increase is due to the net effect of:

- the increase of EUR 21,8 million for the book value of the 100% investment held in Mittel Design S.r.l., sub-holding of the group for the bathroom fixtures sector, in respect of the need to finance the purchase of an incremental share of Ceramica Cielo S.p.A. and the acquisitions of Galassia S.r.l. and Disegno Ceramica S.r.l., carried out in June;
- the increase for the consideration of EUR 11,6 million paid at the time of the purchase of 90% of Sport Fashion Service S.r.l. in November;
- the purchase, for an amount of EUR 1,9 million, from minority shareholders of shares in the subsidiary Earchimede S.p.A.;
- the reduction of EUR 2,8 million related to the completion of the liquidation process of the investee Ghea S.r.l. in liquidation (final distribution pertaining to Mittel of EUR 12,6 million, with a positive contribution to the income statement of EUR 9,8 million);
- the value adjustments totalling EUR 8,4 million (EUR 6,9 million for Earchimede S.p.A., EUR 1,5 million for Mittel Advisory S.r.l. in liquidation), related to the significant distributions carried out by the investees during the year, already commented on at the time of the analysis of the corresponding income items.

Non-current financial assets amounted to EUR 70,1 million, compared to EUR 76,0 million in the year ended as at 31 December 2018, marking a decrease of EUR 5,9 million. This was essentially due to the effect of:

- the net decrease of EUR 4,2 million for non-current financial receivables, which fell from EUR 60,4 million to EUR 56,3 million; as regards the receivables with a significant equity reduction, note should be taken of the position with the associate Mittel Generale Investimenti S.r.l., which gave rise to collections in the year for Mittel S.p.A. for almost EUR 14 million; by contrast, as regards the increases, the following should be noted in particular: (i) the acquisition, in correlation to that of the investment, of a shareholders' loan to Sport Fashion Service S.r.l. for around EUR 4 million; (i) the increase of roughly EUR 4 million for the shareholders' loan to Mittel Design S.r.l. (connected, as with the increase in the investment, to the acquisitions completed by the subsidiary in the year);

- the decrease of EUR 1,7 million in other non-current financial assets, which fell from EUR 15,6 million to EUR 13,9 million due to: (i) reductions from collections for EUR 0,2 million; (ii) net valuation reductions of EUR 1,5 million.

Provisions for risks, employee severance indemnity and employee benefits amounted to EUR 1,4 million, essentially in line with the previous year. In particular, as at 31 December 2019, this item is composed, for EUR 1,0 million, of Provisions for personnel and, for EUR 0,4 million, of Provisions for risks and charges.

Tax assets amounted to EUR 6,6 million, compared to EUR 8,4 million in the prior year, marking a reduction of EUR 1,8 million. This item is essentially comprised of: (i) current tax assets for EUR 0,6 million, a sharp reduction compared to EUR 4,4 million in the previous year due to the Company's use of offsetting during the year and intercompany sales in favour of the subsidiaries for their subsequent use in offsetting; (ii) deferred tax assets for EUR 6,0 million, an increase of EUR 2,0 million due to additional significant modifications in the Group's perimeter that occurred with the acquisitions of the year, which resulted in the inclusion in the consolidated tax perimeter of new companies with considerable taxable income, which will make it possible to recover additional latent tax benefits, mainly represented by the substantial tax losses in prior years and interest expenses that can be carried forward, accrued by the Company in the previous years.

Net working capital amounted to a positive EUR 2,2 million, (EUR 2,8 million in the previous year) marking a decrease of EUR 0,6 million. The reclassified item is a result of the net effect: (i) of sundry receivables and other current assets of EUR 7,4 million (EUR 9,8 million in the previous year), due mainly to receivables due from subsidiaries (primarily tax items, largely attributable to the receivables from tax consolidation or Group VAT or sales of intercompany tax credits still to be settled); ii) of sundry payables and other current liabilities for EUR 5,2 million (EUR 7,0 million in the prior year), represented mostly by trade payables and intercompany tax items (for tax consolidation or Group VAT).

Equity amounted to EUR 214,5 million, compared to EUR 205,3 million as at 31 December 2018, marking an increase of EUR 9,2 million, corresponding to profit for the year.

The **net financial position** was a positive EUR 49,4 million (positive EUR 58,8 million as at 31 December 2018), negatively impacted by the application of IFRS 16, which led to the recognition of incremental financial payables for EUR 5,7 million. Net of this component, the net financial position was a positive EUR 55,1 million, a worsening of just EUR 3,7 million compared to the comparison period, despite the sizeable investments made in acquisitions in the year (in particular, in the Design and Clothing sectors), thanks above all to the collection from the sale of the property in Piazza Diaz 7, Milan (EUR 6,7 million) and significant distributions (more than EUR 20 million) carried out by some investees in the historic perimeter (Ghea S.r.l. in liquidation, Earchimede S.p.A. and Mittel Advisory S.r.l. in liquidation).
In terms of components, the following table provides a breakdown of changes in values in the company's net financial position.

Statement relating to the net financial position

(Thousands of Euro)	31.12.2019	31.12.2018
Cash	7	7
Other cash and cash equivalents	137.800	161.566
Securities held for trading	-	-
Current liquidity	**137.807**	**161.574**
Current financial receivables	**48.693**	**71.411**
Bank loans and borrowings	-	(92)
Bonds	(131.397)	(174.100)
Other financial payables	(5.678)	-
Financial debt	**(137.075)**	**(174.192)**
Net financial position	**49.425**	**58.793**
- of which IFRS 16 financial liabilities	*5.678*	-
Net financial position before IFRS 16	**55.103**	**58.793**

Information on investees

Information on the principal investees

Mittel S.p.A. main subsidiaries

- **Gruppo Zaffiro S.r.l.** (60%): for information on the investee and its subsidiaries, refer to the thorough disclosure provided in other sections of this report, in particular in the section on the Group's operating sectors (Nursing Home Sector), and the consolidated explanatory notes.

- **Ceramica Cielo S.p.A.** (90%): for information on the company, an investee through the special purpose vehicle Mittel Design S.r.l. (100% Mittel), refer to the thorough disclosure provided in other sections of this report, in particular in the section on the Group's operating sectors (Design sector), and the consolidated explanatory notes.

- **Galassia S.r.l.** (90%): for information on the company, an investee through the special purpose vehicle Mittel Design S.r.l. (100% Mittel), refer to the thorough disclosure provided in other sections of this report, in particular in the section on the Group's operating sectors (Design sector), and the consolidated explanatory notes.

- **Disegno Ceramica S.r.l.** (80%): for information on the company, an investee through the special purpose vehicle Mittel Design S.r.l. (100% Mittel), refer to the thorough disclosure provided in other sections of this report, in particular in the section on the Group's operating sectors (Design sector), and the consolidated explanatory notes.

- **IMC S.p.A.** (75%): for information on the company and its wholly owned subsidiary Balder S.r.l., refer to the thorough disclosure provided in other sections of this report, in particular in the section on the Group's operating sectors (Automotive sector), and the consolidated explanatory notes.

- **Sport Fashion Service S.r.l.** (90%): for information on the company, refer to the thorough disclosure provided in other sections of this report, in particular in the section on the Group's operating sectors (Clothing sector), and the consolidated explanatory notes.

- **Mittel Investimenti Immobiliari S.r.l.** (100%)
  The Mittel Group, through Mittel Investimenti Immobiliari S.r.l. (hereinafter MII), operates in the real estate field, making investments in the residential and tertiary sectors, both directly and through investee companies. Note that in October 2018, as part of a larger project to simplify the Group's corporate structure, the wholly-owned subsidiaries Breme S.r.l., Cad Immobiliare S.r.l., Fede S.r.l., Iniziative Nord Milano S.r.l. and Santarosa S.r.l. were merged into MII, with accounting and tax effects backdated to 1 January 2018. Following the aforementioned merger completed in the previous year, the only residual investments held by the company were those in the following wholly-owned subsidiaries: MiVa S.r.l., Regina S.r.l., Gamma Tre S.r.l. and Lucianita S.r.l. in liquidation.

Dati economici (Euro '000)	31.12.2019	31.12.2018
Valore della produzione	1.457	1.693
Costi della produzione	-2.244	-3.028
Risultato operativo	**-787**	**-1.335**
Proventi e oneri finanziari	740	-1.516
Rettifiche di valore di partecipazioni	0	-1.670
Risultato ante imposte	**-47**	**-4.521**
Imposte	883	1.339
Risultato netto	**836**	**-3.182**

Dati patrimoniali (Euro '000)	31.12.2018	31.12.2018
Partecipazioni	2.912	2.912
Crediti finanziari	15.104	14.989
Rimanenze immobiliari	29.858	44.678
Altre attività	3.051	4.301
Totale Attività	**50.925**	**66.880**
Totale Passività	**42.858**	**59.649**
Patrimonio netto	**8.067**	**7.231**

The result for the year ended 31 December 2019 shows a profit of EUR 0,8 million, compared to a loss of EUR 3,2 million for the year ended as at 31 December 2018. The company posted revenue of EUR 16,3 million, offset by changes in inventories for a negative total of EUR 14,8 million and operating costs that totalled EUR 2,2 million. The operating result, negative for EUR 0,8 million, was offset by a tax benefit of EUR 0,9 million, deriving from the recognition of current and previous tax losses and surpluses of interest expense that are deductible as part of the Group's tax consolidation. The profit for the year is due essentially to dividends paid out by a subsidiary now placed into liquidation for EUR 0,7 million. The net improvement in the result with respect to the loss recorded in the previous year derives mainly from the reduction in the costs of production, the elimination of financial expenses on the debt in place with the parent company Mittel S.p.A. and the absence of write-downs on investments, by contrast present in the previous period.
Equity as at 31 December 2019 amounted to EUR 8,0 million, compared to EUR 7,2 million as at 31 December 2018. This change was determined by the effect of the profit recorded in the year.

Direct investments of Mittel Investimenti Immobiliari S.r.l.

Arluno – Via Giorgio Ambrosoli
In April 2013, the company completed the construction, on an area purchased in December 2008 in Arluno (MI), of a residential complex composed of two buildings of four floors each above ground, in addition to attics and basements, for a total of 98 apartments, a garage with 1 underground level, for a total of 105 garages, and uncovered parking for a total of 44 parking spaces.
During the year, sales of EUR 3,7 million were recorded (EUR 3,4 million in the previous year). The carrying amount of inventories as at 31 December 2019 was EUR 2,6 million (EUR 5,8 million in the comparison period). The order was valued at the end of the year with the support of the external appraiser and did not show any evidence of impairment.
The disposal process is expected to continue again in 2020.

Paderno Dugnano – Via Pepe
The company, in an area owned in the municipality of Paderno Dugnano (MI), centrally located and in the immediate vicinity of the railway station, constructed a residential complex housing 149 apartments and around 1.800 square metres of tertiary/commercial space, plus 2 underground garage levels, plus public works, such as a library, a square with portico and an underground public car park.
During the year, sales of EUR 2,3 million were recorded (EUR 6,7 million in the previous year). The carrying amount of inventories as at 31 December 2019 was EUR 4,8 million (EUR 6,9 million in the comparison period). The order was valued at the end of the year with the support of the external appraiser and did not show any evidence of impairment.
The disposal process is expected to continue again in 2020.

Milan – Via Ludovico di Breme
The company constructed a management building in Milan, Via Di Breme 78, with 8 above-ground levels for a total commercial space of 4.010 square metres, plus an underground garage with 55 car parking spaces, external green areas and an uncovered car park with 20 car parking spaces.
Works were completed and the associated definitive testing took place in February 2014.
A six-year lease agreement has been in place since 1 January 2015, with automatic renewal for a further six years, for the entire first floor, in addition to other parts of the property used for warehouse and services, as well as some covered and uncovered parking spaces.
The property inventories owned by the company were valued with the help of an external appraiser and did not result in the recognition of write-downs during the year.
Activities were concretely carried out and negotiations are in place for the leasing of the entire management building to management entities of prime standing, with the objective of being able to then increase the value of the investment.

Vimodrone (Milan) – Via Grandi
This is an industrial/craft trade complex covering roughly 5.000 square metres in which the expected renovation and expansion works were performed for the relevant split-up sale. The works have been completed and tested.
The valuation at the end of the year was conducted with the help of an external appraiser and did not result in the recognition of write-downs.

Felizzano (Alessandria) – Via Roma
This is a property complex which sits on an area of 116.720 square metres, housing industrial facilities, warehouses and offices, for a vacant and free commercial area of 46.500 square metres.

The valuation at the end of the year was conducted with the help of an external appraiser and did not result in the recognition of write-downs.

Bresso – Via C. Romani
The management/industrial/craft building complex in Bresso (Milan) is composed of three lots which have been gradually renovated.
During the year, 3 car parking spaces were sold (sales of EUR 0,9 million in the comparison period). The carrying amount of inventories as at 31 December 2019 was EUR 2,8 million.
The valuation at the end of the year was conducted with the help of an external appraiser and did not result in the recognition of write-downs.

Milan – Piazzale Santorre di Santarosa
The inventory properties held are represented by a property complex situated in Milan, Piazzale Santorre di Santarosa 9, of approximately 5.000 square metres of total gross surface area which have been under renovation for the last few years and is currently being concluded, with only some property units and one commercial unit that are not yet completed, for the purpose of allowing the possibility for the future user to choose the finishing that are most appropriate for its ultimate use.
During the year, sales totalling EUR 9,9 million were recorded (EUR 0,7 million in the comparison period). The carrying amount of inventories as at 31 December 2018 was EUR 3,3 million (EUR 12,6 million in the comparison period).
The valuation at the end of the year was conducted with the help of an external appraiser and did not result in the recognition of write-downs.
The disposal process is expected to continue again in 2020.

Investments of Mittel Investimenti Immobiliari S.r.l.

Lucianita S.r.l. in liquidation (100%)
By means of notarial deed of 6 May 2019 of Fabio Gaspare Pantè, Notary in Milan, listed in the Milan Register of Companies on 7 May 2019, the Company was placed into liquidation pursuant to art. 2484, paragraph 1 no. 6). By means of the same deed, the liquidator was also appointed, with the attribution of the broadest powers for exercise of the function, including therein the representation of the company, such as those set forth in art. 2487 of the Italian Civil Code.
The Company was the owner of a property complex at Via Lomellina no. 12, Milan, whose sale was completed in the year.
During the year, revenue was recognised for EUR 0,1 million (EUR 1,5 million in the comparison period).
As at 31 December 2019, the company posted a profit of EUR 0,1 million (essentially at break-even in the comparison period) and posted equity of EUR 0,5 million.

MiVa S.r.l. (100%)
The company's activity is targeted at increasing the value of the property complex located in Milan, in Via Vespri Siciliani 29 and Via Metauro 9, now at the construction phase.
On 5 November 2018, MiVa S.r.l. signed a contract with Italiana Costruzioni S.p.A. for lump-sum construction works, in order to implement a building renovation project aimed at completion of the residential building, to be carried out on the complexes in Milan, via Vespri Siciliani no. 29 and via Metauro no. 9, for a consideration of EUR 7,4 million.
As at 31 December 2019, the works performed accounted for 21,25% of the total value of the contract equal to EUR 7,4 million.
As at 31 December 2019, the company posted a loss of EUR 0,4 million (essentially at break-even in the comparison period) and posted equity of EUR 2,3 million. The valuation at the lower between the cost and the market value of the property inventories, conducted by an external appraiser, did not require any value adjustments to the property initiative, stated at EUR 15,5 million.
It should be noted the revamping of the property complex implemented had an extremely positive impact, not just in terms of the recovery of development, which should finish between the end of 2020 and the start of 2021, but also the significant commercial success, borne out by the percentage of preliminary contracts for living units signed at present.

Gamma Tre S.r.l. (100%)
The company owns an area in Como housing a disused industrial complex (around 15.800 square metres of buildings out of an area of 22.000 square metres) in Via Cumano and a building in Via Canturina, used for offices (around 1.800 square metres) plus 800 square metres of basement space and an external courtyard area.

For the Via Cumano area, the approved Recovery Plan and the associated Agreement stipulated in November 2010, with expiry extended first until November 2018 and then until November 2021, for the completion of the urban development works, make it possible to build 5 residential towers for a total volume of 38.200 cubic metres, which can be further increased by 10% for a total of more than 200 apartments. To ensure that the area meets safety standards, the existing buildings were demolished and the underlying areas reclaimed.
The project and its multi-stage implementation are still to be defined in relation to the trend in purchases and sales in the residential real estate market. Meanwhile, negotiations are under way for the transfer of the buildable land to local operators and/or co-operatives.
As at 31 December 2019, the company recorded a loss of EUR 41 thousand (EUR 1,2 million as at 31 December 2018) and equity of EUR 0,3 million.
The property inventories owned by the company were valued with the help of an external appraiser and did not result in the recognition of write-downs.

Regina S.r.l. (100%)
The company owns a property complex in Via Regina 23 in Como, acquired in July 2011, at the same time as the stipulation of the Agreement with the Municipality, in enactment of the Implementation Plan approved previously for the construction of a residential building covering 6.731 cubic metres.
In March 2019, the Company sent an application for a landscaping authorisation to the Municipality of Como, relating to the construction of a new residential building in order to start the residential property development works.
On 4 February 2020, a “Notice of issuing of the building permit” was received from the Municipality of Como with a request to pay town planning expenses and the construction cost for a total of EUR 250.809, which will enable the start of works by the first half of 2020.
As at 31 December 2019, the company recorded an essential break-even position (loss of EUR 0,4 million as at 31 December 2018) and equity of EUR 0,1 million.

❖ **Earchimede S.p.A.** (99,71%)
The company carries out private equity vehicle activities and acts as a holding company for investments. As regards holding activities, it is important to note the investment held in Fashion District Group S.r.l. in liquidation, for 66,67% of the share capital, which in turn owns 100% of the share capital of Parco Mediterraneo S.r.l., which owns land of approximately 600.000 square metres in Belpasso (Catania).

Dati economici (Euro '000)	**31.12.2019**	**31.12.2018**
Valore della produzione	-	-
Costi della produzione	-100	-146
Risultato operativo	**-100**	**-146**
Proventi e oneri finanziari	-	-
(Rettifiche)/Riprese di valore di attività finanziarie	113	143
Risultato ante imposte	**13**	**-3**
Imposte	61	38
Risultato netto	**74**	**35**

Dati patrimoniali (Euro '000)	**31.12.2019**	**31.12.2018**
Partecipazioni	4.303	4.303
Attività finanziarie che non costituiscono immobilizzazioni	1.491	1.816
Disponibilità liquide	2.430	9.279
Altre attività	201	536
Totale Attività	**8.425**	**15.934**
Totale Passività	**99**	**150**
Patrimonio netto	**8.326**	**15.784**

The company closed the year ended as at 31 December 2019 essentially a break-even level, as in the comparison period. The equity of Earchimede S.p.A. as at 31 December 2019 amounted to EUR 8,3 million (EUR 15,8 million as at 31 December 2018).
Note that, in October 2018, as part of a larger project to simplify the Group’s corporate structure, the wholly owned subsidiary FD 33 S.r.l. was merged into Earchimede S.p.A., with accounting and tax effects backdated to 1 January 2018. The transaction involved the inclusion in the statement of financial position of assets previously owned by the merged company, mainly represented by cash and cash

equivalents and a 33,33% shareholding in Fashion District Group S.r.l. in liquidation, a company in which Earchimede S.p.A. already holds a direct investment for an additional 33,33%. In relation to Fashion District Group S.r.l. in liquidation's 100% stake in Parco Mediterraneo S.r.l., note that the latter owns an area located in the Municipality of Belpasso (Catania) of around 600.000 square metres, originally intended for the "Centro di Logistica Mediterraneo" ('Mediterranean Logistics Centre') property project, for which concrete activities are in place for the purposes of its enhancement.

- **Mittel Advisory S.r.l. in liquidation** (100%)
  The Company, which carried out advisory activities, was placed into liquidation in 2019 pursuant to art. 2484, paragraph 1, no.6, based on the Group's strategic decision to focus its attention on developing investment activities, which had also involved, for the company, the previous sale, in January 2019, of the 51% shareholding in Ethica & Mittel Debt Advisory S.r.l., at a price of EUR 0,4 million, held previously.

Dati economici (Euro '000)	31.12.2019	31.12.2018
Valore della produzione	88	507
Costi della produzione	-194	-732
Risultato operativo	**-106**	**-225**
Proventi e oneri finanziari	292	2
Risultato ante imposte	**186**	**-223**
Imposte	274	221
Accantonamenti/utilizzi fondo oneri liquidazione	27	-
Risultato netto	**487**	**-2**

Dati patrimoniali (Euro '000)	31.12.2019	31.12.2018
Partecipazioni	-	88
Disponibilità liquide	1.047	2.682
Altre attività	289	336
Totale Attività	**1.336**	**3.106**
Totale Passività	**308**	**556**
Patrimonio netto	**1.028**	**2.550**

The company closed the year 1 January 2019 - 31 December 2019 with a positive net result of roughly EUR 0,5 million (substantial break-even position as at 31 December 2018), due mainly to the profit registered at the time of the sale of the investment and the enhancement, as part of the tax consolidation of Mittel S.p.A., of previous tax benefits. Equity came to roughly EUR 1,0 million, a decrease compared to EUR 2,6 million in the comparison period due to the liquidation advance distributed in the year, amounting to EUR 2,0 million, only partially offset by the positive result of EUR 0,5 million in the year.

Main companies subject to joint control and associates

- **Mittel Generale Investimenti S.r.l.** (27%)
  The company, while retaining its nature as an authorised financial intermediary pursuant to Articles 106 and 107 of the Consolidated Banking Act, provided credit (directly and/or syndicated) and acted as a consultant in organising the financing of mainly extraordinary transactions, carried out by companies and private or institutional investors, on security and real estate markets.
  Subsequently, Mittel Generale Investimenti S.r.l. ceased operations as an authorised financial intermediary, merely continuing its existing credit management activities with the aim of efficient repayment of the credit positions held.
  Moreover, note that during the 2016/2017 financial year, the parent company Liberata S.r.l., which owned 100% of the share capital of Mittel Generale Investimenti S.r.l., was merged into the latter. As a result of this merger, Mittel S.p.A., which owned 27% of Liberata S.r.l., currently owns the same percentage of the share capital of Mittel Generale Investimenti S.r.l.
  During 2019, the investee took actions to collect its portfolio of financial receivables, using the liquidity from these collections to partially repay the vendor loan (former Liberata S.r.l.) outstanding with Mittel S.p.A.
  During November 2019, the company asked Mittel S.p.A. to extend the repayment of the vendor loan from 31 December 2019 to 31 December 2020. The requested extension was justified by the fact that the credit positions held by Mittel Generale Investimenti S.r.l. require an appropriate time period to identify the most suitable action, of an ordinary or extraordinary nature, to enhance the value of the receivables in order to safeguard the capital of the company and shareholders. On 18 December 2019, the Board of Directors of Mittel S.p.A., subsequent to the favourable opinion of the Related Party Committee on said transaction, classed as one of lesser relevance, was followed up by the request from Mittel Generale Investimenti S.r.l. to extend the due date, by approving the extension until the final term of 31 December 2020, maintaining the same interest rate, equal to the Euribor plus a 4,75% spread.
  As at 31 December 2019, the company posted a net profit of EUR 1,0 million (loss of EUR 0,9 million in the prior year) and equity of EUR 22,7 million (EUR 21,6 million as at 31 December 2018). Residual financial receivables amount to EUR 23,6 million (EUR 35,2 million as at 31 December 2018) and cash and cash equivalents of EUR 0,7 million. The vendor loan with Mittel S.p.A. amounts to EUR 3,3 million (EUR 17,4 million in the comparison period).

Fatti di rilievo intervenuti nell’esercizio

Significant events in the year

MITTEL

Significant events in 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 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 and a significant capital gain realised. 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 growth plans of the Group, 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 Disegno 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, total revenue of over EUR 65 million, and a considerable percentage of exports.

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..

On 18 November 2019, continuing with its strategy of investing in companies that embody Italian excellence, Mittel finalised the acquisition of 90% of Sport Fashion Service S.r.l. ("Ciesse Piumini"), a company operating in the informal clothing market and, in particular, in the urban/lifestyle and outdoor segments. Ciesse Piumini is the iconic, highly renowned brand, which has extended, over time, the experience built up in technical-sports products, also intended for extreme expeditions, clothes suited to urban fashion, combining manufacturing excellence with comfort and style.
Ciesse Piumini's development strategy provides for the creation of an omnichannel distribution model, through strong brand growth in the digital sale and communication channels, further strengthening in the traditional distribution channel and selective development in international markets. Within the context of the transaction, Mr. Fabio Primerano was appointed the Executive Chairman of Ciesse Piumini. Mr. Primerano

boasts a wealth of experience in the management and direction of international companies and in business development also through the use of digital channels, confirmation of the increasingly more central importance of this aspect in the clothing sector. Mittel S.p.A.'s total investment for the acquisition of 90% of the capital of Sport Fashion Service S.r.l., fully financed with equity, came to Euro 11,3 million, plus EUR 4,1 million relating to the taking over of the shareholders' loan in place at the closing date. Based on Ciesse Piumini's results over the next few years, the agreements signed make provision for a potential earn-out in favour of the seller.

Governance and corporate events

On 24 January 2019, members of the Executive Committee of Mittel S.p.A. Marco Giovanni Colacicco (Chairman) (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 S.p.A.;
- 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.

On 2 October 2019, Mittel S.p.A. received the resignation, effectively immediately, of the non-executive and independent director Mr. Gregorio Napoleone, due to the fulfilment of his professional duties. Mr. Gregorio Napoleone had been appointed by the Shareholders' Meeting on 28 January 2019 as a candidate taken from the single list filed by Progetto Co.Val S.p.A. and held the additional offices of member of the Remuneration and Appointments Committee and the Related Party Committee.

On 30 October 2019, Mittel S.p.A.'s Board of Directors, which met under the Chairmanship of Michele Iori, appointed Gabriele Albertini via co-optation as a company Director. Gabriele Albertini brings both an excellent institutional profile and a wealth of business experience, having also held top management posts over the years in industrial groups and in Confindustria and Assolombarda. Mayor of Milan for two terms, he was elected as a Member of the European Parliament (1st election in 2004, 2nd election in 2009), holding the position of Chairman of the Committee on Foreign Affairs, as well as additional posts in other committees, including the Committee on Transport and Tourism and Committee on Industry, Research and Energy. He was a Senator of the Italian Republic from March 2013 until March 2018. The Board of Directors, based on prior verification of the Director's requirements of independence and integrity, appointed him as a member of the "Committee for Related-party Transactions" and of the "Remuneration and Appointments Committee", completing the composition of the aforementioned Committees.

Significant events after 31 December 2019

In relation to the provisions of IAS 10, it is hereby stated that, after 31 December 2019, the reference date of the financial statements, and until 29 April 2020, the date on which the financial statements were approved by the Board of Directors, no events took place which involved an adjustment of the data presented. By contrast, it should be noted that, as regards significant events, pursuant to IAS 10, the declaration of the international emergency due to the Coronavirus epidemic does not involve the adjustment of the carrying values, given that this event and the associated consequences occurred after the reporting date.

In fact, it is well-known that, from the start of January 2020, the national and international scenario was impacted by the spread of a new virus, Coronavirus (COVID-19) and the subsequent restrictions to contain it, put in place by the Government authorities of the countries concerned.
In particular, Italy, on 31 January 2020, by means of resolution of the Council of Ministers, declared a state of emergency and, in February, the spread of the virus was registered.
In order to tackle the emergency, the Italian Government issued a series of decrees including urgent measures to deal with the epidemiological emergency (COVID-19), making provision for:

- urgent measures of support for families, workers and companies (Decree Law no. 9 of 2 March 2020);
- the closure of schools and universities throughout Italy (Decree of the President of the Council of Ministers of 4 March 2020);
- the ban on the mobility of individuals (except for work-related or health reasons or cases of absolute necessity), social distancing and closure of some economic activities (Decree of the President of the

Council of Ministers of 8 March and subsequent decrees, relating to additional implementing provisions);

- measures to reinforce the national health service and of economic support for families, workers and companies (Decree Law no. 18 of 17 March 2020 #CuraItalia - Heal Italy);
- the establishment of a committee of experts on economic and social matters (Decree of the President of the Council of Ministers of 10 April 2020).

In light of this situation, the Group not only implemented, from the outset, all the necessary measures to guarantee workers' safety, but initiated, where possible, procedures for the performance of work activities remotely, in order to reduce the risk of the virus spreading and ensure business continuity.

In the Nursing Home Sector, whose services qualify as "essential", the facilities in the region and their operators have played an active role in tackling this pandemic, by both assisting patients, and supporting the public system most directly committed to treatment of patients suffering from the virus.
The Nursing Home facilities took steps to apply the safety protocols developed by the national institutions and the Ministry of Health, purchasing equipment on an ad hoc basis and the Personal Protective Equipment for personnel, applied the provisions on guest behaviour to be observed in accessing the facilities, for the recovery of residents and for the operations of employees, also ensuring the necessary training. In addition, means of electronic communication were established to guarantee a direct channel for informing relatives of the clinical and assistance conditions of their residents.

For the other companies, in particular, those exposed to "retail" trends and/or that provide non-essential goods and services, therefore hit hardest by the containment measures, specific measures were applied, where possible, to monitor and organise production and work flexibility, with extensive use of remote working where compatible. Some production departments of industrial companies were gradually closed in March 2020 and made safe. As a result of these closures, some Group companies will apply, where the conditions are met, the measures set forth in the Cura Italia (Heal Italy) Decree.

This situation, constantly evolving, is having direct and indirect repercussions on economic activity, on financial markets and on consumer confidence at global level; the aforementioned circumstances, extraordinary in nature and scope, have created a context of general uncertainty, the evolution and effects of which are difficult to quantify and evaluate at the current state of play.

It should also be noted that the nature of the event was described in this paragraph and that, given the context of general uncertainty, there are no elements, at present, to quantify its impact which, also based on the evolution of the virus, could have unforeseeable and potentially significant effects on future business activities and operations, and therefore, on the Group's economic, equity and financial values.
However, the sensitivity analyses carried out, also assuming reductions in revenues within reasonable ranges, in a scenario of uncertainty, they do not highlight issues in terms of impairment tests and measurement of financial statements items; periodic monitoring will be conducted in this regard in order to mitigate the risks stemming from the temporary situation.

As things stand, taking into account the solid equity, economic and liquidity ratios and the specific and diversified business areas in which the Group operates, no elements have come to light that may compromise the Group's business continuity; however, it is believed that the Group may be able to absorb, also thanks to the measures implemented in the field by the Italian Government and the quick move to contain costs, the inevitable productive and commercial repercussions and not disregard the medium/long-term prospects of increasing the value of the investments held.

Business outlook for the year

In the year ended as at 31 December 2019, the Company focused its efforts on creating value in the interests of all its Shareholders.

Specifically, many of the 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 Zaffiro Group with the leading international company Primonial. These investments include forecasts for considerable profit in the medium to long term.

In the second half, Mittel S.p.A. not only continued the consolidation process described above, but injected further significant impetus in its investment strategy, finalising the acquisition, in November 2019, fully financed with equity, of 90% of Sport Fashion Service S.r.l., a company that, under the iconic brand Ciesse Piumini, operates on the informal clothing market and, in particular, in the urban/lifestyle and outdoor segments.

Compatibly with the difficult ongoing emergency situation, the Group will continue, in the future, with the search for additional investment platforms, by acquiring companies that embody Italian business excellence, to be combined with the Group's financial and strategic contribution. The transactions will continue to be financed primarily by not only the significant liquid funds available to the Group, but by financial resources that are being generated by the process of disposal of 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 incorporate the effects of the growth process introduced in the Nursing Home and Design sectors and in the new Clothing sector, also including the consolidation of the financial margins of the companies acquired in June (Disegno Ceramica S.r.l. and Galassia S.p.A.) and in November (Sport Fashion Service S.r.l.), only partially consolidated in 2019 (subsequent to the date of acquisition). The reduction in holding costs, and specifically the full repayment of the Mittel "2013-2019" bond in July, had a considerable impact, and will continue to do so going forward, resulting in lower financial expenses of almost EUR 3 million on an annual basis.

The evolution of the Group's results will depend not only on that of the sectors in which the strategic shareholdings operate, but the trend in the real estate market and in the financial markets, to which the returns of the assets managed by non-industrial companies are linked. The forecasts of the Group and its investees at the current state of play cannot fully take account of the COVID-19 epidemic, given that the evolution of the situation, in terms of duration and gravity, and the impacts on the Group's activities cannot be predicted or reliably quantified at present. Therefore, as of today, it is difficult to make detailed and reliable forecasts of the expected impacts in 2020.

Based on the information currently available, it should be noted that the timing of implementation of the strategic actions outlined above the associated effects could be affected by the spread of the pandemic and the consequent restrictions to contain it. In the first few months of 2020, signs of contraction were obviously recorded, in particular, in the Clothing, Automotive and Design sectors, due to the restrictions imposed by Italy and the other countries which constitute the end markets. The Group is constantly monitoring the evolution of the situation, in order to guarantee adequate planning of operating activities and suitable measures to counteract the risks to which it is exposed.

However, it should be stressed that the Group has, over time, demonstrated its ability to react to changed scenarios such as the present one; the management has already implemented actions to protect the Group and mitigate the potential negative effects on the results of the year, by aiming to reinforce existing investments.

It is equally important to underline that the Group's equity and financial strength ensures significant autonomy in support of the operating needs and development programmes of the Group.

The management confirms that, compatibly with the uncertainty relating to the duration of said situation and in accordance with the limits of the actions taken to contain the negative effects of the situation, both the process of consolidation of the existing investments and the strategies for further development will also continue this year, aimed at creating value in the long-term for all shareholders.

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.

At the hearing on 6 November 2019, as part of case number 1030/19, having acknowledged the fact that many parties had or were, nonetheless, on the verge of amicably settling the respective proceedings also with the Ministries, the Court of Appeal reserved its decision on the requests of the various parties, granting a term until 31 December 2019 to communicate a detailed and definitive list of the positions to be written off, provided settled amicably.

Following dialogue with the Attorney General's Office, initiated before the hearing in November and which continued in subsequent months, 23-24 December 2019 saw the formalisation between Mittel and the Ministries of the mutual waiving of the deeds of appeal and acceptance of each party to bear their own respective legal costs, this being acknowledged by means of the appropriate memorandum by the deadline assigned by the Court.

In respect of the above, on 20 February 2020, ruling no. 679/2020 was published, which declared the definitive end of legal proceedings relating to the company, owing to the waiver pursuant to art. 306 of the Italian Code of Civil Procedure and each party's acceptance to bear their own respective legal costs.

As far as Mittel is concerned, the proceedings are considered to be closed, to all intents and purposes.

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;
- the civil proceedings are definitively closed, due to the mutual waiving of the deeds, both against Snia, and with regards to the Public Administrations.

<u>So.Fi.Mar International S.A. and Mr. Alfio Marchini</u>

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 and then closed following the declaration of bankruptcy of Sofimar in Luxembourg, which will be discussed later.
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. At the current state of play, a hearing is waiting to be set and the parties have filed their written statements.
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 Procedure. 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. At the above-mentioned hearing, the parties outlined their respective conclusions and the case was adjourned for a decision. Filing of a judgement is pending.

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

- bankruptcy proceedings before the Luxembourg judge;
- appeal judgment against the bankruptcy ruling;
- ordinary judgment against Mr. 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 proceedings (case no. 1044/2017), already pending before the Brescia Court of Appeal, 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, following the challenge by the appellant companies, of decision no. 3271/16 (favourable for Mittel S.p.A.) filed by the Court of Brescia on 8 November 2016, were concluded with ruling no. 1508/19, published on 15 October 2019.
The second instance ruling (also favourable for Mittel S.p.A.) saw the appeal of Banca IFIS and Tellus completely rejected, with the appellants ordered to reimburse Mittel's legal costs.
The available term for appealing at the Court of Cassation against ruling no. 1508/19 should have expired in the middle of April 2020. However, in consideration of the extraordinary measures taken in relation to the "Covid-19" emergency, the effectiveness of this term, as with the terms for all proceedings, was suspended in the period between 8 March and 13 April 2020 (at the moment of drafting of this report; any extensions to the suspension are not ruled out).
Therefore, at the current state of play, the term must be considered still pending and the second instance judgment has still not become final.

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.

The main factors of uncertainty which could impact the future scenarios in which the Group will operate include the possible developments of the global and Italian economy linked directly and indirectly with the spread of the Coronavirus (COVID-19) epidemic, whose impacts cannot be quantified at present, as also specified in the paragraph “Significant events after the year-end closing”, to which reference should be made. However, it should be noted that the sensitivity analyses carried out, also assuming reductions in revenues within reasonable ranges, albeit in a scenario of significant uncertainty, do not highlight issues in terms of impairment tests and measurement of the main financial statement items.
As at 29 April 2020, it should not be overlooked that the year 2020 will be heavily impacted by the spread of the Coronavirus epidemic at global level. Therefore, periodic monitoring will be conducted in this regard in order to mitigate the risks stemming from the temporary situation; please refer to the paragraph “Risks associated with the Coronavirus epidemic”.

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

The Mittel Group’s results are affected by global and Italian 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.
The uncertainty regarding liquidity can jeopardise the Group's investment strategy. 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, also in light of the COVID-19 pandemic, 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, which has suffered, at numerous competitor facilities or, in general, industry structures, from the negative impacts of the pandemic widely known to the public.

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 and, in particular, the clothing sector. 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 strategy that focuses on controlling investments in Italian small and medium enterprises characterised by high cash generation.

The new management has greatly ramped up this strategy, both with reference to the gradual disposal of non-strategic assets and in relation to the investments in small and medium enterprises of excellence, with the objective of creating industrial verticals.

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, whose sale process is, nonetheless, at an advanced phase today, 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 bond “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 2019, the bond covenant had been satisfied, as it was at 30 June 2019 and 31 December 2018.
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).
In respect of the aforementioned bond, note should be taken of the relevant cash and cash equivalents that the Group possesses.

Risks related to Group debt

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 31 December 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. The companies Gruppo Zaffiro S.r.l. and IMC S.p.A. subscribed interest rate swap contracts on part of the debt, 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.
It should be noted that the aforementioned risk is today significantly reduced thanks to the success of the strategy for the disposal of the historic assets including receivables and properties carried out by the new management, which generated significant cash and cash equivalents for an amount greater than the value of the bond.

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 performance over the last three-year period, in terms of sales made, 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 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 within the Executive Committee, who engineered a radical about-turn in the Group's strategy, and in management who provide and, in the Issuer's opinion, could continue to provide a significant contribution to the Group's business development.

Albeit the heavy managerial and corporate involvement, also represented by the investments made, of some key figures of the Executive Committee, is proof of the their significant commitment, any loss of key figures or an inability to attract and retain additional qualified personnel could result in the 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 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.

Operating risks
Within the production contexts, there are risks which can influence the effectiveness/efficiency of business processes, compromising the creation of value.

Supply chain
Risks emerge in the production sectors connected with control of the supply chain, relations with suppliers and their reliability, logistics and sales channels.
In order to mitigate the risk, entities continue to strengthen the supplier selection process, to ensure careful assessment of both the financial solidity and compliance with adequate quality standards and identify, where possible, alternative suppliers for the most critical raw materials / components to reduce any risk of dependency on said entities.
The creation of Ciesse Piumini products requires high quality raw materials from suppliers, including, by way of an example, virgin goose down, nylon and cotton. The price and availability of raw materials depend on a broad variety of factors, largely out of the control of the entity and difficult to predict.
Despite Ciesse Piumini not having encountered any particular problems in the last few years, we cannot exclude the possibility that tensions on the supply front and the supply chain could involve procurement

difficulties, causing an increase in costs with subsequent negative consequences on the entity's economic results.
Indeed in order to minimise the risks connected with the potential unavailability of products in the times required by the sale process, Ciesse adopts a strategy for the planning and contracting of respect for the constraints regarding product delivery times and quality, as well as observance of the current laws in production locations regarding worker protection, work conditions and compliance with local labour law regulations, respect for animal well-being, the environment and use of hazardous chemicals.
Ciesse generates an increasing portion of its revenue through the retail channel which, by nature, is characterised by a greater incidence of fixed costs, connected primarily with sales point contracts. Despite the entity having demonstrated, over the years, the ability to create profitable retail business, we cannot exclude the fact that any downturn in revenue could reduce the entity's ability to generate profit.

Production
Risks emerge in the productive sectors connected with production capacity and efficiency, processes and product quality, business disruption, process engineering and investments, environment.
Any unexpected slowdowns or interruptions in production, caused, by way of example, by system faults, difficulties or delays in sourcing raw materials, prolonged rationing in the supply of electricity, as well as by fires or natural disasters, etc. could have repercussions on the entire supply chain, with subsequent adverse impacts on the entity's operating capacity, economic-financial position and reputation.
In particular, if the slowdown or interruption in production cycles should last a long time, there could be delays or shortages in production, which could involve a breach of contractual obligations and, subsequently in extreme cases, additional costs deriving from the obligations to pay penalties or compensation requested by customers.
In order to deal with the risk, business continuity plans are in place at the production sites, which make provision for prevention actions targeted at eliminating/reducing the main causes of interruption of operations, in addition to the monitoring of these, aimed at allowing prompt implementation of controls to mitigate the resulting impacts.
Where the production entities fail to maintain an efficient distribution and production network, or if there is a major interruption to activities with catastrophic or unforeseeable losses linked to events not covered by insurance policies at the principal production facilities, the business, operating results and financial conditions could be impacted.

Project and product development
Where the entities are unable to predict future economic conditions and changes in consumer preferences, product sales and profitability could be affected.
In particular, the trend in the clothing sector and in consumer products in which the Group operates is cyclical. The recession and uncertainty surrounding future economic prospects, impacting consumers' disposable income, have historically had a negative impact on spending habits, making growth in sales and product profitability difficult.
The success in the sectors of operations, and in particular in the Clothing and Design sectors, therefore also depends on the ability to anticipate and quickly react to changes in fashion trends. Any failure to identify these trends could have a significant negative affect on the business and operating results.

Risks associated with sustainability issues
Given the growing attention focussed by institutions, Governments and investors on environmental and social sustainability and human rights, over the last few years, the Group has undertaken a process targeted at the gradual integration of these aspects in their business strategy, with the goal of controlling and improving the impacts that the different business activities, as well as their products, have on the local area and on the community.
From this perspective, the Mittel Group is committed to understanding and adjusting its business model into line with the continuous socio-environmental challenges and the increasingly more stringent regulatory developments, with particular reference to the regulations on safety and the environment (e.g. restrictions tied to pollution in the main inhabited centres, waste management, etc.), as well as to promoting and disseminating sustainability principles in office activities and throughout the supply chain of the production facilities.
In order to guarantee the transparency of its social and environmental performances, Mittel publishes the Consolidated Non-Financial Statement on an annual basis, which provides information on the main initiatives launched.

Risks associated with climate change

As part of the periodic assessment of risks, including of a non-financial nature, the risks connected with climate change have also been taken into consideration by the Group's Management.
The preliminary analyses conducted class these risks as not especially significant for the Group and which do not have major financial implications in the short- and medium-term.
In view of the relevance of the matter, the Group has made arrangements to further scrutinise the analyses conducted regarding the financial implications of the risks and of the related opportunities, also in light of the constant evolution of the reference regulatory framework.

The risks tied to climate change and the subsequent shift towards sustainable finance are posing challenges for the financial sector and may have an impact on credit and market risks.
Within the context of an evolving regulatory framework, the Group aims to tackle these challenges proactively with greater commitment to sustainability and practical initiatives targeted at improving the management of the risk of market financing, in order to anticipate possible increased risks in specific sectors and analyse the potential requests from the regulatory authorities.
In fact, the Group is committed, over the next few years of reporting, to enriching its disclosures with analyses of any impacts generated and suffered as regards climate change, also on the basis of the evolution of the relevant legislation; please also refer to the disclosure contained in the Consolidated Non-Financial Statement.

Risks associated with the Coronavirus epidemic

As regards the spread of COVID-19 and the associated consequences, we cannot rule out a general downturn in the economy, potentially impacting the Group's main business areas and, more generally speaking, the scope of the risks outlined above.
In fact, the epidemic is having a major negative impact on the global economy which, however, cannot be quantified at present as it depends on the duration of the pandemic and the ability to contain the health emergency; at the date of this report, the Italian Government, similar to many other countries, has taken stringent measures to contain the virus and put in place the related financial support packages for families, workers and companies.

With reference to the non-financial risks relating to the Group's business and the associated operations, it should be noted that:

- the Nursing Home sector could suffer economic-financial impacts (not quantifiable at present) and non-economic-financial effects: lower revenue from admissions cannot be excluded at present, as well as increase in costs related to supplies of personal protective equipment and sanitation materials and health risks connected with the intrinsic nature of the facilities themselves, which have been seriously affected by the Coronavirus epidemic.
  In fact, up until now, the Nursing Home Sector has been one of the sectors must exposed to the health risks of COVID-19: it is a well-known fact that the elderly, or those with underlying conditions are at most risk of being seriously affected by the illness and that healthcare staff are one of the categories most exposed to COVID-19 infection; furthermore, it is important to stress that these facilities, as with other partially closed centres, are also at greater risk of small epidemic outbreaks.
  In addition, the risk is that prevention according to the safety protocols set forth nationally, which surrounds the performance of COVID-19 tests (known as swabs) on individuals with clear symptoms, is not enough to limit the negative consequences of the Coronavirus in Nursing Homes; some experts suggest that, potentially, the swabs should be extended to all residents and healthcare staff working in Nursing Homes.
  In this regard, while verifying the delicate situation nursing homes find themselves in, some Regions (e.g. Lazio, Abruzzo) are extending the obligation to carry out swab tests on all individuals in nursing homes (staff and residents), also requiring a clear separation between those testing positive and negative.
  However, at national level, highly critical situations have been identified at some nursing homes, which are currently being examined by the judiciary. In order to monitor the particularly delicate situation and provide support to the personnel employed in these facilities, the Istituto Superiore di Sanità (ISS)[1] (Italian Institute of Health) is committed on several fronts, with supervisory activities

[1] On 24 March 2020, the Italian Institute of Health - in collaboration with the "*Garante nazionale dei diritti delle persone detenute o private della libertà personale*" (National Guarantor for the Rights of Persons Detained and Deprived of their Liberty) - launched a specific survey on the spread of COVID-19 in nursing homes. The objective is to monitor the situation and adopt any strategies for

aimed at identifying any strategies for improving Infection prevention and control (IPC) programmes and with support aimed at providing resources and guidelines on areas of prevention and preparation of the facility for the management of any suspected/confirmed cases of COVID-19.
It should be noted that, at present, the Zaffiro Group has not received the aforementioned questionnaire and is only marginally impacted by the risks connected to the aforementioned "muddled management" of nursing homes highlighted at national level.

- the Clothing and Design sectors must monitor the risks connected with the distribution network (management of orders, inventories and digital business channels) and the cost and distribution of raw materials, control of the production chain and relations with suppliers with a view to understanding the shocks on demand and supply and developing procurement strategies to cushion volatility and risk.
  It cannot be ruled out that any persistence of the epidemic or even a return to the spike in the infections, may introduce risks linked to business disruption.
- the Automotive sector could be affected by slowdowns attributable to the temporary difficulties of the market as a result of the spread of the Coronavirus. The Coronavirus has involved a deceleration in end markets, due to the temporary closure of factories, at the behest of the institutions, without, however, significant repercussions on the supply chain at the moment.
  However, it is considered that the Automotive and components sector is part of the sectors which could restart in the near future given fundamental for the country's economy; given the situation of uncertainty, the risk context is closely monitored by the management in order to evaluate and quickly take the necessary actions.

With reference to the activities performed by the Parent Company and the non-industrial subsidiaries, the most significant effects may be reflected in greater volatility of the markets, affecting the investments held.

Aside from equity-financial risks, which cannot be quantified, there are more extensive risks for the entire Group, connected to:

- implementation and monitoring of safe work methods: the reorganisation of work methods and the application of measures to prevent infections in the Group's offices and production facilities refers to personnel safety risks and those related to the respect for privacy;
- development of a strategy for effective communication with its stakeholders (brand reputation);
- strengthening of infrastructural capacities for remote access also in terms of IT security (cyber risk);
- optimisation of company policies; leave, mobility, application of holiday policies and measures set forth by the Government, such as participation in the "*cassa integrazione"*, wage guarantee fund, (cost savings and adequate personnel satisfaction).

The Group is constantly monitoring the evolution of the situation as regards COVID-19, in order to guarantee adequate planning of operating activities and suitable measures to counteract the risks to which Group entities are exposed.

On 29 April 2020, the impacts still cannot be quantified and will depend on the duration and methods of the restrictions, but may impact the Group's profitability and, in particular, the revenues and time-scales of the collection of trade receivables; these effects will be constantly monitored in 2020.

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improving the programmes and the fundamental principles of prevention and control of infections relating to assistance.

Corporate Governance

MITTEL

Corporate Governance

Mittel S.p.A. signed up to the original 1999 version of the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A., and currently adheres to the Corporate Governance Code approved in July 2018.

The Company shall annually provide disclosure concerning its governance system and its acceptance of the Corporate Governance Code, through a Report, also drawn up pursuant to article 123-bis of the Consolidated Law on Finance, which shall illustrate the degree of compliance with the principles and criteria applied thereto, established by the Code and by international best practice.

The Report is provided to Shareholders annually with the documentation envisaged for the Shareholders' Meeting to approve the financial statements, and is also promptly published on the Company's website (www.mittel.it) in the "Corporate Governance/Corporate Documents" section.

At the meeting on 22 February 2016, on the proposal of the Remuneration and Appointments Committee, the Board of Directors approved the Remuneration Policy, in compliance with the recommendations of the Corporate Governance Code and regulatory provisions issued by Consob. Pursuant to law, the Remuneration Policy constitutes the first section of the Remuneration Report and is subject to review by the Shareholders' Meeting each year; specifically, during the Shareholders' Meeting of 27 January 2017, called, inter alia, to approve the 2016 separate financial statements, the shareholders approved the first section of the Report.

The Director and Statutory Auditor offices held by the members of the Board of Directors and the Board of Statutory Auditors in other companies listed on regulated Italian and foreign markets, in financial companies, banks, insurance companies or large companies are shown below:

Michele Iori	Standing Auditor of Dolomiti Energia S.p.A. Standing Auditor of The Spac S.p.A.
Marco Colacicco	Standing Auditor of Praesidium SGR S.p.A.
Anna Francesca Cremascoli	---
Gabriele Albertini	---
Patrizia Galvagni	---
Riccardo Perotta	Chairman of the Board of Statutory Auditors of Cassa Lombarda S.p.A. Chairman of the Board of Statutory Auditors of Molmed S.p.A. Chairman of the Board of Statutory Auditors of FSI Sgr S.p.A. Chairman of the Board of Statutory Auditors of Fire Group S.p.A. Chairman of the Board of Statutory Auditors of Fire S.p.A. Standing Auditor of Saipem S.p.A. Chairman of the Board of Statutory Auditors of Saipem Offshore Construction S.p.A. Standing Auditor of Boing S.p.A. Standing Auditor of International Energy Services S.p.A.
Anna Saraceno	---

Fabrizio Colombo	Standing Auditor of Geox S.p.A. Standing Auditor of Crédit Agricole Vita S.p.A. Standing Auditor of Publitalia '80 S.p.A. Standing Auditor of Acciaieria Arvedi S.p.A. Standing Auditor of Finarvedi S.p.A. Standing Auditor of Sistemi Informativi S.r.l. Standing Auditor of BNP Paribas for Innovation Italia S.r.l. Standing Auditor of Value Transformation Services S.p.A. Standing Auditor of Saras Ricerche e Tecnologie S.r.l. Standing Auditor of Sarlux S.r.l.
Federica Sangalli	---
Giulio Tedeschi	Chairman of the Board of Statutory Auditors of Agos Ducato S.p.A.

Altre informazioni

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 and Clothing sectors, 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 that have not already been disclosed to the market, pursuant to the Issuers' Regulations.

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. The document as at 31 December 2019, to which reference should be made, is published at the same time as the financial statements as at 31 December 2019.

Information on the environmental impact

Major industrial acquisitions have been carried out in recent years, in the sectors of ceramic production for designer sanitary-ware and components for the automotive industry and in the clothing sector. For detailed information on the environmental impact of the Group, please refer to the Consolidated Non-Financial Financial Statement.

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, during 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, on 6 December 2019, allowed 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 fixed financial resources that will be used in the core business of Mittel S.p.A. in line with the company strategy; (ii) implement a better allocation and functional reorganisation of the Company's operating spaces (offices) (which were, in the past, located on a total commercial surface area of approximately 930 square metres, 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 metres), 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.
Overall, the transaction generated a positive economic impact for the Group in the year of more than EUR 3,5 million and a collection of roughly EUR 6,7 million.
It should be noted that the appraisals requested by the Related Party Committee highlighted a lower market value of the property units, also not significant, than the sale price realised by Mittel S.p.A. thanks to the transaction in question.

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 historic real estate development 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 (variable on the actual sale price of the property complex) of up to a maximum of EUR 750 thousand (in the case of complete budget sale of the real estate initiative), 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 which allowed Mittel S.p.A. to unlock and successfully move ahead with a major real estate project that had been blocked for years.

On 13 November 2019, Mittel S.p.A.'s Board of Directors approved the acquisition of 90% of the share capital of Sport Fashion Service S.r.l., a company which owns the brand Ciesse Piumini, for an agreed total price of EUR 11,250 million (for an equivalent value of 100% of the share capital of Sport Fashion Service S.r.l. equal to EUR 12,5 million), augmented by the consideration for the pro-rata acquisition of the Shareholder Loan of Fremil International S.r.l. and for the acquisition of the Shareholder Loan of Blue Fashion Group S.p.A. totalling EUR 4,050 million, for a total outlay of EUR 15,3 million.

The related party involved in the transaction is Blue Fashion Group S.p.A., as seller of 70% of the share capital of Sport Fashion Service S.r.l., holder of 100% of the share capital of Seconda Navigazione S.r.l., which, in turn, holds 83,178% of the share capital of Progetto Co-Val, which in turn holds 82,632% of the Issuer's share capital.
On 20 November 2019, Mittel S.p.A. published the relevant information document drafted in accordance with art. 4 of Consob regulation no. 17221 of 12 March 2010, as subsequently supplemented and amended, and was made available to the public at the company's registered office, on the website of Mittel S.p.A. (www.mittel.it, corporate governance - Related parties - Documents section), to which reference should be made for any further information.

Furthermore, note that during November 2019, Mittel Generale Investimenti S.r.l. asked Mittel S.p.A. to extend the repayment of the vendor loan from 31 December 2019 to 31 December 2020. The requested extension was justified by the fact that the credit positions held by Mittel Generale Investimenti S.r.l. require an appropriate time period to identify the most suitable action, of an ordinary or extraordinary nature, to enhance the value of the receivables in order to safeguard the capital of the company and shareholders. Mittel S.p.A. qualified the transaction as a transaction with related parties, as the company is an associate in which Mittel S.p.A. holds a 27% interest. Furthermore, Fondazione Cassa di Risparmio di Trento e Rovereto is also a related party, directly holding 36,5% of the share capital of Mittel Generale Investimenti S.r.l., in addition to an indirect shareholding through Progetto Co-Val S.p.A., of 11,83% of the share capital of Mittel S.p.A. On 18 December 2019, the Board of Directors of Mittel S.p.A., subsequent to the favourable opinion of the Related Party Committee on said transaction, classed as one of lesser relevance, expressed its positive opinion by following up the request from Mittel Generale Investimenti S.r.l. to extend the due date, by approving the extension until the final term of 31 December 2020, maintaining the same interest rate, equal to the Euribor plus a 4,75% spread.

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

On 31 December 2019, the medium/long-term incentive plan - approved by the Shareholders' Meeting on 24 March 2016 - came to an end 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 specific objectives ("SARs Plan" or "Plan").

It should be noted that the SARs Plan had a duration of 5 years, of which a vesting period of 4 years and one year for the exercise of the assigned SARs; the vesting period ended on 31 December 2019 (fourth year); therefore, from 1 January 2020 to 31 December 2020, all beneficiaries of the Plan can exercise their rights based on the Plan and, therefore, request the monetary equivalent of the increase in value of the company's ordinary share with respect to the moment of the assignment of the financial instruments. The long-term variable component may be paid at the discretion of the Board of Directors in cash or company shares.

The possibility, set forth in Mittel's Policy adopted in 2016 - whose principles are all applicable today - of being able to adopt a medium/long-term plan, was not taken into consideration for 2020; this was due to the fact that the company, at the moment, has not made provision for the launch of a new medium/long-term incentive instrument in view of the health emergency linked to Covid-19, whose repercussions on the general performance of the markets cannot be estimated as of today and, in fact, the unforeseeable nature of the duration of this current unprecedented period and the repercussions on the Italian and global economies, makes being able to identify the strategic lines of growth on the basis of which to prepare a medium/long-term incentive system by pinpointing specific performance targets random in nature.

The medium/long-term incentive plan was 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 were 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 offered 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.
All the economic and asset-related effects of the medium/long-term incentive plan relating to the assigned SARs are 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 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 in the previous year.

Interests of members of administration and control bodies, general managers and key managers

First and Last Name	Investee	Shares owned as at 31.12.2018	Shares purchased	Shares sold	Shares owned as at 31.12.2019	
Michele Iori	Mittel S.p.A.	-	172.000	-	172.000	(a)
Marco Colacicco	Mittel S.p.A.	74.061	860.000	-	934.041	(b)
Anna Francesca Cremascoli	Mittel S.p.A.	-	860.000	-	860.000	(c)

(a) of which 82.000 shares purchased via Law & Tax Consulting S.r.l., a company closely related to said entity
(b) of which 860.000 shares purchased via Corporate Value S.p.A., a company closely related to said entity
(c) of which 860.000 shares purchased via Alpe Holding S.r.l., a company closely related to said entity

Proposal of the Board of Directors

Dear Shareholders,

We submit for your approval the separate financial statements for the year 1 January 2019 - 31 December 2019, comprised of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and the Explanatory Notes, as well as the annexes and Report on Operations.

The Board of Directors proposes to the Shareholders’ Meeting to carry forward the profit of EUR 9.204.063.

Milan, 29 April 2020

for the Board of Directors

The Chairman

(Michele Iori)

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

The reconciliation between equity and profit (loss) for the year of the Parent Company, as shown in the separate financial statements for the year ended as at 31 December 2019, and the equity and profit (loss) for the year of the Group, as reported in the consolidated financial statements as at the same date, is as follows:

Amounts in thousands of Euro	31 December 2019		31 December 2018	
	Equity	Profit (loss) for the year	Equity	Profit (loss) for the year
Equity and profit (loss) of the Parent Company	**214.452**	**9.204**	**205.259**	**43.324**
Elimination of book value of consolidated investments:				
Value of investments in consolidated companies	(160.421)		(103.322)	
Goodwill arising on consolidation	97.740		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	68.193		51.460	
Results achieved by fully consolidated companies		11.293		(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	163		171	
Profit (loss) from investments measured using the equity method		7		(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	**220.127**	**450**	**221.153**	**1.324**
Non-controlling interests	16.875	(197)	28.128	984
Consolidated equity and profit (loss)	**237.002**	**253**	**249.281**	**2.308**

Bilancio consolidato

Consolidated Financial Statements

MITTEL

Consolidated Financial Statements as at 31 December 2019

Consolidated Statement of Financial Position (*)

Amounts in Euro

	Notes	31.12.2019	31.12.2018
Non-current assets			
Intangible assets	4	105.502.192	73.369.200
Property, plant and equipment	5	260.556.541	46.888.546
- of which IFRS 16 rights of use		*193.382.166*	-
Investments accounted for using the equity method	6	6.113.343	6.120.783
Financial receivables	7	33.459.672	45.800.456
Other financial assets	8	16.360.952	17.864.891
Sundry receivables and other assets	9	898.056	901.030
Deferred tax assets	10	11.416.804	4.586.084
Total non-current assets		**434.307.560**	**195.530.990**
Current assets			
Inventories	11	78.514.446	78.256.888
Financial receivables	12	25.200	-
Current tax assets	13	1.614.228	5.413.498
Sundry receivables and other assets	14	50.200.403	23.202.574
Cash and cash equivalents	15	173.165.262	223.822.291
Total current assets		**303.519.539**	**330.695.251**
Assets held for sale	16	-	18.955.825
Total assets		**737.827.099**	**545.182.066**
Equity			
Share capital		87.907.017	87.907.017
Share premium		53.716.218	53.716.218
Treasury shares		-	(11.178.114)
Reserves		78.053.424	89.384.199
Profit (loss) for the year		450.118	1.323.622
Equity pertaining to the Group	17	**220.126.777**	**221.152.942**
Non-controlling interests	18	16.875.378	28.128.346
Total equity		**237.002.155**	**249.281.288**
Non-current liabilities			
Bonds	19	129.307.985	129.255.667
Financial payables	20	261.976.258	55.161.752
- of which IFRS 16 financial liabilities		*200.908.942*	-
Other financial liabilities	21	5.958.197	210.248
Provisions for personnel	22	7.721.677	5.327.979
Deferred tax liabilities	23	9.097.541	7.041.128
Provisions for risks and charges	24	1.939.004	1.505.662
Sundry payables and other liabilities	25	827.339	154.958
Total non-current liabilities		**416.828.001**	**198.657.394**
Current liabilities			
Bonds	26	2.089.090	44.844.360
Financial payables	27	19.420.424	10.668.980
- of which IFRS 16 financial liabilities		*5.273.204*	-
Other financial liabilities	28	6.368.374	13.200.000
Current tax liabilities	29	1.643.054	137.443
Sundry payables and other liabilities	30	54.476.001	27.850.505
Total current liabilities		**83.996.943**	**96.701.288**
Liabilities held for sale	31	-	542.096
Total equity and liabilities		**737.827.099**	**545.182.066**

(*) 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 following pages and are described not only in the comments on the individual financial statement items but in the explanatory notes to these financial statements.

Consolidated Income Statement (*)

Amounts in Euro

		31.12.2019	31.12.2018
Revenue	32	141.256.125	113.924.506
Other income	33	9.506.341	3.727.002
Changes in inventories	34	(14.609.172)	(12.751.615)
Costs for purchases	35	(39.005.149)	(33.731.717)
Costs for services	36	(28.870.750)	(29.025.808)
Personnel costs	37	(40.639.283)	(30.661.834)
Other costs	38	(3.492.816)	(2.557.783)
Amortisation and value adjustments to intangible assets	39	(14.491.755)	(5.726.383)
Allocations to the provision for risks	40	(244.060)	(224.004)
Share of income (loss) of investments accounted for using the equity method	41	7.400	(667.756)
Operating result (EBIT)		**9.416.881**	**2.304.608**
Financial income	42	2.207.509	4.143.369
Financial expenses	43	(14.426.130)	(16.288.119)
Dividends	44	182.525	214.578
Profit (loss) from management of financial assets and investments	45	98.729	8.788.698
Value adjustments to financial assets and receivables	46	(1.364.495)	(4.700.763)
Profit (loss) before taxes		**(3.884.981)**	**(5.537.629)**
Income taxes	47	4.138.344	7.845.929
Income (loss) from continuing operations		**253.363**	**2.308.300**
Profit (loss) for the year		**253.363**	**2.308.300**
Attributable to:			
Profit (loss) pertaining to non-controlling interests	48	(196.755)	984.678
Profit (loss) pertaining to the Group		**450.118**	**1.323.622**
Profit (loss) per share (in Euro)	49		
From ordinary, ongoing activities:			
- Basic		0,005	0,017
- Diluted		0,005	0,017

(*) 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.

Consolidated Statement of Comprehensive Income

	Notes	01.01.2019 31.12.2019	01.01.2018 31.12.2018
Profit/(loss) for the year (A)		**253.363**	**2.308.300**
Other comprehensive profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period:			
Profits/(losses) from remeasurement of defined benefit plans		(514.660)	48.213
Tax effect relating to other profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period		98.585	(20.351)
Total other profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period, net of taxes (B.1)		**(416.075)**	**27.862**
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	129.076	(119.299)
Profits/(losses) from recalculation of financial assets	17	-	(3.253.693)
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		(940)	14.918
Total other profits/(losses) which will be subsequently reclassified to profit/(loss) for the period, net of taxes (B.2)		**128.136**	**(3.358.074)**
Total other profits/(losses), net of taxes (B)=(B.1)+(B.2)		**(287.939)**	**(3.330.212)**
Total comprehensive profit/(loss) (A) + (B)		**(34.576)**	**(1.021.912)**
Total comprehensive profit/(loss) attributable to:			
Non-controlling interests		(216.200)	752.942
Profit (loss) pertaining to the Group		181.624	(1.774.854)

Statement of Changes in Consolidated Equity for the year ended as at 31 December 2019

Amounts in Euro

	Share capital	Treasury shares	Capital reserves	Profit reserves	Reserve from remeasurement of defined benefit plans	Cash flow hedge reserve	Reserve from available-for-sale financial assets	Share of comprehensive profits/(losses) of companies measured using the equity method	Non-controlling interests	Total
Balance as at 1 January 2018	**87.907.017**	**(21.057.903)**	**53.716.218**	**99.431.654**	**(396.465)**	**(65.592)**	**-**	**-**	**23.218.399**	**242.753.328**
Sale of treasury shares	-	-	-	-	-	-	-	-	-	**-**
Purchase of treasury shares to exercise withdrawal rights	-	-	-	-	-	-	-	-	-	**-**
Changes in the consolidation scope	-	-	-	338.976	-	-	-	-	(418.976)	**(80.000)**
Employee SARs reserve	-	-	-	(88.300)	-	-	-	-	-	**(88.300)**
Other changes	-	-	-	121.504	-	-	-	-	4.575.981	**4.697.485**
Capital payments	-	-	-	-	-	-	-	-	-	**-**
Dividends distributed	-	9.879.789	-	(9.879.789)	-	-	-	-	-	**-**
Total comprehensive profit/(loss)	-	-	-	1.323.622	11.803	(89.592)	-	-	752.942	**1.998.775**
	-	-	-	-	-	-	-	-	-	
Balance as at 31 December 2018	**87.907.017**	**(11.178.114)**	**53.716.218**	**91.247.667**	**(384.662)**	**(155.184)**	**-**	**-**	**28.128.346**	**249.281.288**
Balance as at 1 January 2019	**87.907.017**	**(11.178.114)**	**53.716.218**	**91.247.667**	**(384.662)**	**(155.184)**	**-**	**-**	**28.128.346**	**249.281.288**
First-time adoption of IFRS 16	-	-	-	(1.652.606)	-	-	-	-	(1.067.291)	**(2.719.897)**
Cancellation of treasury shares	-	11.178.114	-	(11.178.114)	-	-	-	-	-	**-**
Changes in the consolidation scope	-	-	-	(672.994)	-	-	-	-	(1.624.581)	**(2.297.575)**
SARs reserve	-	-	-	-	-	-	-	-	-	**-**
Other changes	-	-	-	(209.122)	-	-	-	-	(293.637)	**(502.759)**
Capital payments by non-controlling shareholders	-	-	-	1.343.796	-	-	-	-	4.059.633	**5.403.429**
Dividends distributed									(12.127.752)	**(12.127.752)**
Total comprehensive profit/(loss)	-	-	-	450.118	(378.040)	92.682		-	(199.340)	**(34.580)**
Balance as at 31 December 2019	**87.907.017**	**-**	**53.716.218**	**79.328.746**	**(762.702)**	**(62.502)**	**-**	**-**	**16.875.378**	**237.002.155**

Consolidated Cash Flow Statement

Amounts in Euro	Notes	31.12.2019	31.12.2018
OPERATING ACTIVITIES			
Net profit (loss) for the year pertaining to the Parent Company and non-controlling interests		**253.363**	**2.308.300**
Adjustments to reconcile net profit (loss) with cash flows generated (absorbed) by operating activities:			
Current taxes		2.014.627	892.885
Deferred taxes		(6.152.971)	(8.738.814)
Depreciation of property, plant and equipment		14.309.733	5.267.525
Amortisation of intangible assets and write-downs		182.022	458.858
Dividends received		(182.525)	(214.578)
Financial income		(2.181.859)	(4.133.266)
Financial expenses		14.392.644	16.261.977
Gains/(losses) on exchange		7.836	16.039
Allocations to provisions for risks and charges		244.060	224.004
Provisions for employee severance indemnity		1.760.284	1.514.123
Expenses for incentive plan with settlement option through equity instruments		57.020	111.700
Other net non-operating/monetary income/(expenses)		1.480.048	383.104
Profits/(losses) of investments measured using the equity method		(7.400)	
Write-downs (reversals of impairment losses) on receivables		(4.071)	3.652.428
(Gains)/losses on receivables		189.832	(144.880)
Capital (gains)/losses from transfer of investments and financial assets		-	(8.523.109)
Write-downs on inventories		-	2.501.892
Write-downs (reversals of impairment losses) on financial assets		1.368.566	1.048.335
Cash flows from operating activities before changes in working capital		**27.731.210**	**13.554.279**
(Increase)/decrease in inventories		14.743.182	9.954.946
(Increase)/decrease in other current assets		2.093.884	133.648
Increase/(decrease) in trade payables and other current liabilities		1.125.700	(46.600)
Cash and cash equivalents generated (absorbed) by operating activities		**45.693.975**	**23.596.273**
Usage of provisions for risks and charges		10.306	(1.000.111)
Payments of employee severance indemnity		(1.853.803)	(1.188.665)
Change in tax payables/receivables		2.569.988	1.717.016
(A) CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES		**46.420.466**	**23.124.513**
INVESTING ACTIVITIES			
Dividends received on investments		-	-
Dividends received on financial assets		182.525	214.578
Investments in:			
Investments		(6.891.250)	(80.000)
Other non-current assets (property, plant and equipment, intangible assets and other)		-	(8.134.567)
Rights of use - IFRS 16		(76.484.089)	-
Cash flow connected to business combinations:			(13.651.008)
Galassia	**3**	(11.382.335)	
Disegno Ceramica	**3**	(1.981.956)	
Add-on Zaffiro	**3**	(8.888.356)	
Sport Fashion Service	**3**	(9.309.674)	
Realisation from disposal of:			
Investments		14.840	54.479.870
Other financial assets		276.057	6.365.307
Financial instruments held for trading		-	-
Net cash flow connected to assets held for sale		18.413.729	(663.729)
Net cash flow connected to discontinued operations		-	-
Other non-current assets (property, plant and equipment, intangible assets and other)		(5.622.447)	-
- Property, plant and equipment		(5.636.753)	-
- Intangible assets		14.306	-
(Increase)/decrease in financial receivables		14.150.526	29.965.450
Interest collected		974.627	2.999.878
(B) NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES		**(86.547.803)**	**71.495.779**
FINANCING ACTIVITIES			
Increase (decrease) in payables due to banks and other lenders		(25.541.116)	(13.892.165)
Increase (decrease) in payables for leases - IFRS 16		85.511.674	
Issue (redemption) of bonds		(43.665.239)	(2.689.973)
Interest paid		(13.430.357)	(9.686.846)
Change in financial liabilities		(6.680.331)	-
Payment of dividends to non-controlling interests		(12.127.752)	-
Capital payments by non-controlling shareholders		5.403.429	-
(C) NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES		**(10.529.691)**	**(26.268.984)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D = A+B+C)		**(50.657.029)**	**68.351.308**
OPENING CASH AND CASH EQUIVALENTS (E)		223.822.291	155.470.983
CLOSING CASH AND CASH EQUIVALENTS (F = D+ E)		**173.165.262**	**223.822.291**

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

Amounts in Euro

	Notes	31.12.2019	*of which related parties*	*% incidence*	31.12.2018	*of which related parties*	*% incidence*
Non-current assets							
Intangible assets	4	105.502.192	-		73.369.200	-	
Property, plant and equipment	5	260.556.541	-		46.888.546	-	
Investments accounted for using the equity method	6	6.113.343	-		6.120.783	-	
Financial receivables	7	33.459.672	3.249.684	9,7%	45.800.456	17.226.538	37,6%
Other financial assets	8	16.360.952	-		17.864.891	-	
Sundry receivables and other assets	9	898.056	-		901.030	-	
Deferred tax assets	10	11.416.804	-		4.586.084	-	
		434.307.560	**3.249.684**	**0,7%**	**195.530.990**	**17.226.538**	**8,8%**
Current assets							
Inventories	11	78.514.446	-		78.256.888	-	
Financial receivables	12	25.200	-		-	-	
Other financial assets		-	-		-	-	
Current tax assets	13	1.614.228	-		5.413.498	-	
Sundry receivables and other assets	14	50.200.403	1.344	0,0%	23.202.574	36.258	0,2%
Cash and cash equivalents	15	173.165.262	-		223.822.291	-	
Total current assets		**303.519.539**	**1.344**	**0,0%**	**330.695.251**	**36.258**	**0,0%**
Assets held for sale	16	-	-		18.955.825	-	
Total assets		**737.827.099**	**3.251.028**	**0,4%**	**545.182.066**	**17.262.796**	**3,2%**
Equity							
Share capital		87.907.017	-		87.907.017	-	
Share premium		53.716.218	-		53.716.218	-	
Treasury shares		-	-		(11.178.114)	-	
Reserves		78.053.424	-		89.384.199	-	
Profit (loss) for the year		450.118	-		1.323.622	-	
Equity pertaining to the Group	17	**220.126.777**	**-**		**221.152.942**	**-**	
Non-controlling interests	18	16.875.378	-		28.128.346	-	
Total equity		**237.002.155**	**-**		**249.281.288**	**-**	
Non-current liabilities							
Bonds	19	129.307.985	-		129.255.667	-	
Financial payables	20	261.976.258	-		55.161.752	-	
Other financial liabilities	21	5.958.197	-		210.248	-	
Provisions for personnel	22	7.721.677	-		5.327.979	-	
Deferred tax liabilities	23	9.097.541	-		7.041.128	-	
Provisions for risks and charges	24	1.939.004	-		1.505.662	-	
Sundry payables and other liabilities	25	827.339	-		154.958	-	
Total non-current liabilities		**416.828.001**	**-**	**0,0%**	**198.657.394**	**-**	**0,0%**
Current liabilities		-					
Bonds	26	2.089.090	-		44.844.360	-	
Financial payables	27	19.420.424			10.668.980	-	
Other financial liabilities	28	6.368.374	-		13.200.000	-	
Current tax liabilities	29	1.643.054	-		137.443	-	
Sundry payables and other liabilities	30	54.476.001	598.129	1,1%	27.850.505	377.148	1,4%
Total current liabilities		**83.996.943**	**598.129**	**0,7%**	**96.701.288**	**377.148**	**0,4%**
Liabilities held for sale	31	-			542.096		
Total equity and liabilities		**737.827.099**	**598.129**	**0,1%**	**545.182.066**	**377.148**	**0,1%**

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

Amounts in Euro

	Notes	31.12.2019	*of which related parties*	*% incidence*	31.12.2018	*of which related parties*	*% incidence*
Revenue	32	141.256.125	65.715	0,0%	113.924.506	67.005	0,1%
Other income	33	9.506.341	492.302	5,2%	3.727.002	15.000	0,4%
Changes in inventories	34	(14.609.172)			(12.751.615)		
Costs for purchases	35	(39.005.149)			(33.731.717)		
Costs for services	36	(28.870.750)	(1.215.532)	4,2%	(29.025.808)	(2.444.533)	8,4%
Personnel costs	37	(40.639.283)	(712.137)	1,8%	(30.661.834)	(982.507)	3,2%
Other costs	38	(3.492.816)			(2.557.783)		
Amortisation and value adjustments to intangible assets	39	(14.491.755)			(5.726.383)		
Allocations to the provision for risks	40	(244.060)			(224.004)		
Share of income (loss) of investments accounted for using the equity method	41	7.400			(667.756)		
Operating result (EBIT)		**9.416.881**			**2.304.608**		
Financial income	42	2.207.509	375.351	17,0%	4.143.369	1.962.880	47,4%
Financial expenses	43	(14.426.130)			(16.288.119)		
Dividends	44	182.525			214.578		
Profit (loss) from management of financial assets and investments	45	98.729			8.788.698		
Value adjustments to financial assets and receivables	46	(1.364.495)			(4.700.763)		
Profit (loss) from trading of financial assets		-			-		
Profit (loss) before taxes		**(3.884.981)**			**(5.537.629)**		
Income taxes	47	4.138.344			7.845.929	-	
Profit (loss) for the year		**253.363**			**2.308.300**		
Attributable to:							
Profit (loss) pertaining to non-controlling interests	48	(196.755)			984.678		
Profit (loss) pertaining to the Group		**450.118**			**1.323.622**		

Explanatory Notes

1. Form and content of the financial statements

The consolidated financial statements are 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 consolidated financial statements for the year ended 31 December 2018 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 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 the drafting of the financial statements for the year ended as at 31 December 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.

In particular, taking into account the equity, economic and liquidity ratios and the specific business areas in which the Mittel Group operates, it is believed (also considering the potential impacts of the Coronavirus, albeit which cannot be reliably estimated) the group will not be in a significantly uncertain position in relating to events or conditions which may give rise to serious doubts over the company's capacity to operate as a going concern.
In light of the above, the Directors confirm the reasonable expectation that the Group will continue to operate in the foreseeable future and that, consequently, the 2019 consolidated financial statements were prepared on basis of the going concern assumption.

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 consolidated and separate 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 at fair value, as a balancing entry to the valuation reserve;
- 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 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 financial statements are compared with those of last year’s financial statements drafted using the same criteria.

However, as indicated in more detail in the other sections of this annual report, the data for the year are not fully comparable due to the introduction of IFRS 16.

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 consolidated financial statements are expressed in 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 29 April 2020. 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.
From 1 January 2019, following the first-time adoption of IFRS 16, 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. The Group estimates the fair value of the restoration obligation based on the agreement with the lessor or appraisal valuations obtained from third parties. The discounted value of the liability determined in this way increases the right of use of the underlying asset, with recognition of a dedicated provision as contra-item. 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 incremental borrowing rates (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 entities 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;
- lease term;
- 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 of each country observable on the market and the differing durations of the lease contracts. Interest rates set forth in the lease agreements are limited.
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 incremental 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 incremental 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.

Investments in associates and joint ventures (IAS 28)

Associates are companies over which the Group exercises significant influence. Significant influence is the power to participate in the determination of the investee's financial and operating policies without having control or joint control of it. Significant influence is presumed to exist in the event in which the Group holds a percentage of voting rights of between 20% and 50% (excluding cases in which there is joint control).

Joint ventures (jointly-controlled companies) mean companies in which the Group holds joint control and has rights over their net assets. Joint control means the sharing of control of an arrangement, which exists solely when decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Investments in associates and joint ventures are measured according to the equity method, determined on the basis of the international accounting standards. According to said method, these investments 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 or joint venture 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 or joint venture 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 or joint venture, 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.

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 equity – “Hold to Collect & Sell” and, lastly
(iii) an asset measured at fair value with recognition in the income statement – “Trading/Other”.

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 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 IFRIC 23, any impacts that may result from tax assessments already announced and still not settled or whose income is uncertain, as well as any uncertainties connected with the tax treatments adopted by the Group, which may not be accepted by 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.

The main factors of uncertainty which could impact the future scenarios in which the Group will operate include possible developments from the spread to the global and Italian economy linked directly and indirectly to the Coronavirus (COVID-19) epidemic, whose impacts cannot be quantified at present, as also specified in the paragraph "Significant events after the year-end closing", to which reference should be made; however, it should be noted that the sensitivity analyses carried out, also assuming reductions in revenue within reasonable ranges, albeit in a scenario of significant uncertainty, do not highlight issues in terms of impairment tests and measurement of the main financial statements items.
As at 29 April 2020, it should not be overlooked that the year 2020 will be heavily impacted by the spread of the Coronavirus epidemic at global level. Therefore, periodic monitoring will be conducted in this regard in order to mitigate the risks stemming from the temporary situation; please refer to the paragraph "Risks associated with the Coronavirus epidemic".

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

Changes in IFRS, amendments and interpretations

Standards, amendments and interpretations effective 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-time adoption 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.

Accounting standards, amendments and interpretations endorsed by the European Union, but not yet compulsorily applicable and not adopted early by the Group

- 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 were approved on 29 November 2019 and 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 29 March 2018, the IASB published an amendment to “*References to the Conceptual Framework in IFRS Standards*”. The amendment is effective for periods starting on or after 1 January 2020, but early application is permitted.
  The Conceptual Framework defines the fundamental concepts for financial disclosure and guides the Council in developing IFRS. The document aims to ensure that the standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders and other creditors.
  The Conceptual Framework supports companies in developing accounting standards when none of the IFRS standards are applicable to a particular transaction and, more generally speaking, helps interested parties to understand and interpret the standards.
  The directors do not expect the adoption of this amendment to have any effect on the Group’s consolidated financial statements.

- On 26 September 2019, the IASB published the amendment called “Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform”. This modifies IFRS 9 - “Financial Instruments” and IAS 39 (in the event of application of the IAS 39 framework as regards macro hedge policies) plus IFRS 7 - “Financial Instruments”: Disclosures.
  In particular, the amendment modifies some of the requirements for application of hedge accounting, making provision for temporary exemptions to the same, in order to mitigate the impact of the uncertainty of the IBOR reform (still in progress) on the future cash flows in period before its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relations that are directly concerned by the uncertainties generated by the reform and to which the aforementioned exemptions apply.
  The amendments enter into force on 1 January 2020 with the possibility of early application in 2019.
  The directors did not option for early application and do not expect the adoption of this amendment to have any 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, given its operations.

- 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.

- Amendment to IAS 1 - “Classification of Liabilities as Current or Non-current”, regarding the classification of payables under current and non-current, which is expected to apply from 1 January 2022. The Group will adopt this amendment, based on the planned date of application, and will assess its potential impacts on the consolidated financial statements, when these are endorsed by the European Union.

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.
Owing to the transition method adopted by the Group, pursuant to paragraph C5 of the standard and described below, the comparative figures were not restated, while the data for the period in question are also shown without applying IFRS 16.
Unless specified otherwise, the comparative analyses below refer to the data for 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 accounting 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 incremental 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, the Mittel Group chose to measure the asset consisting of the right of use at the book value, as if the standard had been applied from the date of effectiveness, but discounted using the incremental borrowing rate of the lessee at the date of initial application, pursuant to paragraph C8 b) i) of the standard.

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;
- Use of the practical expedient which makes it possible not to apply the calculation of the liability and the right of use to the lease which ends within 12 months of the date of initial application.

First-time adoption of the standard

The Group chose to apply the standard retrospectively, however by booking the accumulated effect of the application of the standard in equity as at 1 January 2019 (not modifying the comparative data of 2018), according to the provisions set forth in paragraphs IFRS 16:C7-C13.

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 rights of use and the corresponding lease liability and the associated income statement components (amortisation/depreciation and interest expense).

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

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 at the book value, as if the standard had been applied from the date of effectiveness, but discounted using the incremental borrowing rate of the lessee at the date of initial application.

The table below shows the impacts 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	116.459.931
Diritti d'uso Attrezzature	268.329
Diritti d'uso Mobili e Macchinario Ufficio	20.390
Diritti d'uso Mezzi di trasporto interno	38.075
Diritti d'uso Autoveicoli	111.352
Totale	**116.898.077**
Imposte anticipate	**1.052.731**
Totale Attività	**117.950.808**
Patrimonio nettto e Passività	
Passività correnti	
Passività finanziarie per lease correnti	3.548.283
Passività non correnti	
Passività finanziarie per lease non correnti	117.122.188
Totale	**120.670.472**
Patrimonio nettto	
Utili a nuovo - Riserva FTA	(2.719.664)
Totale Patrimonio netto e Passività	**117.950.808**

Pursuant to the transitory provisions, the Group recognises the accumulated effect of the initial application of this standard, equal to the difference between the rights of use and the lease liability, as a component of equity at the date of initial application, i.e. 1 January 2019.

It should be noted that the average weighted incremental borrowing rate applied to financial liabilities recognised as at 1 January 2019 stood at an average of around 3,75%.

The Group adopted the practical expedients which made it possible not to apply the accounting rules introduced by the new standard to leases with a term of less than or equal to 12 months and to leases whose underlying asset, when new, is valued at less than or equal to EUR 5.000 (“low value”). The fees related to these leases are booked as cost - similar to the approach adopted in the past - with a straight-line method for the duration of the lease or according to another systematic criterion if more representative of the way in which the lessee receives the benefits.

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.
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.
With reference to sale and leaseback contracts in place at the date of first-time adoption, the Group applied to leases resulting from these transactions, and classified as operating leases according to the IAS 17 requirements, the same transition model used for the other rental contracts as set forth in the standard.
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.

The transition to IFRS 16 introduces 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 incremental borrowing rate. The main discretionary elements are summarised as follows:

- Lease term: the Group analyses all leases, defining the lease term for each of them, represented by the “non-cancellable” term, together with the effects of any extension or early termination clauses whose exercise was deemed reasonably certain. Specifically, for buildings this measurement considered the specific facts and circumstances of each asset. As regards the other categories of assets, mainly company cars and equipment, the Group generally deemed the exercise of any extension or early termination clauses unlikely in consideration of the practice normally applied by the Group;
- Definition of the incremental borrowing rate: given that in most lease contracts stipulated by the Group, there is no implicit interest rate, 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 Group.

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 incremental 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)

Riconciliazione dei debiti per leasing (lease liabilities)	01/01/2019
Impegni per leasing operativi IAS 17 non attualizzati al 31.12.2018	187.698.031
Eccezioni alla rilevazione IFRS 16:	
- leasing short-term	0
- leasing di low value	0
Altre variazioni	9.272
Debiti per leasing operativi da rilevare nelllo Stato Patrimoniale al 01.01.2019 non attualizzati	**187.707.302**
Effetto attualizzazione su Debiti per leasing operativi	(67.036.830)
Totale Debiti per leasing IFRS 16 al 01.01.2019	**120.670.472**

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 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, 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.
Any interests exceeding 20% are excluded from the consolidation scope and classified under HTC&S financial assets, for which Mittel directly or indirectly, 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.
Lastly, the consolidation scope excludes any 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 31 December 2019 has undergone the following main changes:

- direct interests of Mittel S.p.A.:
  - increase from 85,01% to 99,71% in Earchimede S.p.A., through various transactions with third-party shareholders in the first quarter of 2019;
  - reduction in July 2019 from 75% to 60% in Gruppo Zaffiro S.r.l.. In particular, in July 2019, 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), diluting Mittel S.p.A..
  - acquisition in November 2019 of 90% of Sport Fashion Service S.r.l., a company that owns the Ciesse Piumini brand (thoroughly described in the Directors' Report on Operations and below in these notes).

- direct interests of the subsidiary Mittel Design S.r.l.:
  - increase from 80% to 90% of the interest held 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 80% of Disegno Ceramica S.r.l. (thoroughly described in the Directors' Report on Operations and below in these notes);
  - acquisition in June 2019 of 68,64% with subsequent increase to 90% of Galassia Group S.r.l. (thoroughly described in the Directors' Report on Operations and below in these notes);

- direct interests of the subsidiary Gruppo Zaffiro S.r.l.:
  - acquisition in June 2019 of 100% of the vehicle company PIAM Immobiliare S.r.l.;

- acquisition in July 2019 of 100% of Nuova Residenza Serena S.r.l., subsequently merged with Zaffiro Nord S.r.l.;
- acquisition in July 2019 of 100% of C.P.M. S.r.l., subsequently merged with Zaffiro Nord S.r.l..

Although it does not entail any impact on the consolidated financial statements, for the sake of full disclosure, it should be noted that the scope of consolidation in 2019 was concerned by the rationalisation of the corporate structure of Gruppo Zaffiro S.r.l.. July 2019 saw the corporate reorganisation through 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.. These transactions implemented for the mere purpose of the corporate restructuring within the same group took place on the basis of the principle of continuity of values.

The table below indicates the investments included in the consolidation scope of the consolidated financial statements as at 31 December 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.	60,00%	60,00%	60,00%
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%
9	Sport Fashion Service S.r.l.	Pomezia (RM)	(1)	Full	Mittel S.p.A.	90,00%	90,00%	90,00%
Indirect subsidiaries:								
10	Ceramica Cielo S.p.A.	Fabrica di Roma (VT)	(1)	Full	Mittel Design S.r.l.	90,00%	90,00%	90,00%
11	Disegno Ceramica S.r.l.	Gallese (VT)	(1)	Full	Mittel Design S.r.l.	80,00%	80,00%	80,00%
12	Galassia S.r.l.	Fabrica di Roma (VT)	(1)	Full	Mittel Design S.r.l.	90,00%	90,00%	90,00%
14	Galassia Hispania S.a.u.		(1)	Full	Galassia S.r.l.	100,00%	100,00%	90,00%
15	Balder S.r.l.	Milan	(1)	Full	IMC S.p.A.	100,00%	100,00%	75,00%
15	Zaffiro Nord S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	60,00%
16	Zaffiro Centro Sud S.r.l.		(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	60,00%
17	Zaffiro Sviluppo S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	60,00%
18	Zaffiro Costruzioni S.r.l.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	60,00%
19	PIAM Immobiliare S.r.l.		(1)	Full	Gruppo Zaffiro S.r.l.	100,00%	100,00%	60,00%
20	Gamma Tre S.r.l.	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	100,00%	100,00%	100,00%
21	Lucianita S.r.l. in liquidation	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	100,00%	100,00%	100,00%
22	MiVa S.r.l.	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	100,00%	100,00%	100,00%
23	Regina S.r.l.	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	100,00%	100,00%	100,00%
24	Fashion District Group S.r.l. in liquidation	Milan	(1)	Full	Earchimede S.p.A.	66,66%	66,66%	66,47%
25	Parco Mediterraneo S.r.l.	Milan	(1)	Full	Fashion District Group	100,00%	100,00%	66,47%
26	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 stated previously, 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 31 December 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 year ended 31 December 2019, a number of changes occurred in the consolidation scope. Detailed information on the most significant changes is described below.

Acquisition of Galassia 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.. This interest was increased to 90% in October 2019. The total price of the acquisition was EUR 11,0 million. At year-end, Galassia Group S.r.l. was subject to a reverse merger by incorporation in the subsidiary Galassia S.p.A., previously called Galassia S.r.l..

The acquisition led to the initial recognition of goodwill of EUR 6,7 million.

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

Situazione patrimoniale-finanziaria Galassia Group al 28 giugno 2019

Valori in Euro '000	Dati
Attività immateriali	62
Attività materiali	11.404
Crediti finanziari	332
Altre attività finanziarie	140
Crediti diversi e altre attività	1
Attività per imposte anticipate	599
Totale Attività Non Correnti	**12.539**
Rimanenze	6.412
Crediti finanziari	6
Attività fiscali correnti	523
Crediti diversi e altre attività	7.897
Disponibilità liquide e mezzi equivalenti	276
Totale Attività Correnti	**15.113**
Debiti finanziari	(7.125)
Altre passività finanziarie	(69)
Fondi per il personale	(941)
Passività per imposte differite	(1.164)
Totale Passività Non Correnti	**(9.300)**
Debiti finanziari	(5.486)
Debiti diversi e altre passività	(8.127)
Totale Passività Correnti	**(13.613)**
Attivo netto	**4.739**
Quota di pertinenza dell'Attivo netto (90%)	**4.265**
Corrispettivo di acquisto regolato a pronti	10.980
Corrispettivo di acquisto potenziale con regolamento differito	-
Fair value del costo dell'aggregazione d'impresa alla data di acquisizione	**10.980**
Avviamento dell'aggregazione d'impresa	**6.715**

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	(10.980)
Costi correlati all'acquisizione	(678)
Disponibilità liquide acquisite	276
Liquidità netta utilizzata per l'acquisizione	**(11.382)**

During the measurement period, following the obtainment of new information on the provisional fair value at the date of acquisition of some assets recognised, the goodwill was adjusted.

At the current state of play, the allocation process still has to be considered not definitive, although solid in terms of the rationale forming the basis of the information obtained from the date of acquisition of control; pursuant to IFRS 3, in fact, based on the complexity of this process, the accounting of business combinations must be accurately completed definitively within twelve months of the acquisition date. Based on this, the amounts temporarily estimated could be subject to adjustments, based on greater and/or more accurate information which becomes available over the next few months.

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 2,1 million.

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

Situazione patrimoniale-finanziaria Disegno Ceramica 28 giugno 2019

Valori in Euro '000	Dati
Attività immateriali	67
Attività materiali	5.889
Altre attività finanziarie	1
Crediti diversi e altre attività	150
Attività per imposte anticipate	468
Totale Attività Non Correnti	**6.573**
Rimanenze	4.514
Attività fiscali correnti	22
Crediti diversi e altre attività	3.416
Disponibilità liquide e mezzi equivalenti	1.134
Totale Attività Correnti	**9.086**
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	**1.111**
Quota di pertinenza dell'Attivo netto (80%)	**889**
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	**2.071**

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	(156)
Disponibilità liquide acquisite	1.134
Liquidità netta utilizzata per l'acquisizione	**(1.982)**

During the measurement period, following the obtainment of new information on the provisional fair value at the date of acquisition of some assets recognised, the goodwill was adjusted.

At the current state of play, the allocation process still has to be considered not definitive, although solid in terms of the rationale forming the basis of the information obtained from the date of acquisition of control; pursuant to IFRS 3, in fact, based on the complexity of this process, the accounting of business combinations must be accurately completed definitively within twelve months of the acquisition date. Based on this, the amounts temporarily estimated could be subject to adjustments, based on greater and/or more accurate information which becomes available over the next few months.

Acquisition of Nuova Residenza Serena S.r.l. by Gruppo Zaffiro S.r.l.

On 23 July 2019, Gruppo Zaffiro S.r.l., 60% owned by Mittel S.p.A., acquired 100% of Nuova Residenza Serena S.r.l.. The price of the acquisition was EUR 1,0 million.

The acquisition led to the initial recognition of goodwill of EUR 0,2 million.

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

Situazione patrimoniale-finanziaria NRS 22 luglio 2019

Valori in Euro '000	Dati
Attivo (Passivo) netto	**798**
Quota di pertinenza dell'Attivo netto (100%)	**798**
Corrispettivo di acquisto regolato a pronti	277
Corrispettivo di acquisto potenziale con regolamento differito	723
Fair value del costo dell'aggregazione d'impresa alla data di acquisizione	**1.000**
Avviamento dell'aggregazione d'impresa	**202**

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	(277)
Costi correlati all'acquisizione	(141)
Disponibilità liquide acquisite	44
Liquidità netta utilizzata per l'acquisizione	**(374)**

At the current state of play, the allocation process still has to be considered not definitive, although solid in terms of the rationale forming the basis of the information obtained from the date of acquisition of control; pursuant to IFRS 3, in fact, based on the complexity of this process, the accounting of business combinations must be accurately completed definitively within twelve months of the acquisition date. Based on this, the amounts temporarily estimated could be subject to adjustments, based on greater and/or more accurate information which becomes available over the next few months.

Acquisition of C.P.M. S.r.l. by Gruppo Zaffiro S.r.l.

On 23 July 2019, Gruppo Zaffiro S.r.l., 60% owned by Mittel S.p.A., acquired 100% of C.P.M. S.r.l.. The price of the acquisition was EUR 8,7 million.

The acquisition led to the initial recognition of goodwill of EUR 2,8 million.

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

Situazione patrimoniale-finanziaria CPM 30 giugno 2019

Valori in Euro '000	Dati
Attività immateriali	24
Attività materiali	8.493
Crediti diversi e altre attività	2
Attività per imposte anticipate	0
Totale Attività Non Correnti	**8.518**
Attività fiscali correnti	40
Crediti diversi e altre attività	331
Disponibilità liquide e mezzi equivalenti	196
Totale Attività Correnti	**567**
Debiti finanziari	(159)
Fondi per il personale	(3)
Passività per imposte differite	(1.854)
Debiti diversi e altre passività	(115)
Totale Passività Non Correnti	**(2.131)**
Debiti finanziari	(116)
Passività fiscali correnti	(53)
Debiti diversi e altre passività	(882)
Totale Passività Correnti	**(1.051)**
Attivo (Passivo) netto	**5.904**
Quota di pertinenza dell'Attivo netto (100%)	**5.904**
Corrispettivo di acquisto regolato a pronti	8.670
Corrispettivo di acquisto potenziale con regolamento differito	-
Fair value del costo dell'aggregazione d'impresa alla data di acquisizione	**8.670**
Avviamento dell'aggregazione d'impresa	**2.766**

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	(8.670)
Costi correlati all'acquisizione	(40)
Disponibilità liquide acquisite	196
Liquidità netta utilizzata per l'acquisizione	**(8.514)**

At the current state of play, the allocation process still has to be considered not definitive, although solid in terms of the rationale forming the basis of the information obtained from the date of acquisition of control; pursuant to IFRS 3, in fact, based on the complexity of this process, the accounting of business combinations must be accurately completed definitively within twelve months of the acquisition date. Based on this, the amounts temporarily estimated could be subject to adjustments, based on greater and/or more accurate information which becomes available over the next few months.

Acquisition of the vehicle PIAM Immobiliare S.r.l. by Gruppo Zaffiro S.r.l.;

As described previously, in June 2019, Gruppo Zaffiro S.r.l. acquired 100% of the vehicle PIAM Immobiliare S.r.l..

Given the nature of the acquisition and the capital structure of the vehicle, this transaction was viewed, from an accounting perspective pursuant to IFRS 3, as an acquisition of an asset or group of assets that does not constitute a business. Therefore, the individual identifiable assets acquired were identified and recognised (including those assets that satisfy the definition of, and the recognition criteria for, intangible assets pursuant to IAS 38 Intangible assets) and the individual identifiable liabilities assumed.

The cost was charged to the individual identifiable assets and liabilities based on the respective fair values at the purchase date. This transaction did not generate goodwill.

Acquisition of Sport Fashion Service S.r.l. by Mittel S.p.A.

As described previously, on 15 November 2019, Mittel S.p.A. acquired 90% of Sport Fashion Service S.r.l. ("Ciesse Piumini"), a company operating in the informal clothing market and, in particular, in the urban/lifestyle and outdoor segments.
Mittel S.p.A.'s total investment, fully financed with equity, came to Euro 11,250 million, plus a potential deferred price component with cap ("Earn-out"), in addition to EUR 4,050 million relating to the taking over of the shareholders' loan in place at the closing date.

The transaction qualified as a business combination of entities under common control, in consideration of the fact that all the entities involved in the combination (Mittel and SFS) are subsidiaries of the same entity (Blue Fashion Group, "BFG") both before and after the combination with the Mittel Group. As such, from an accounting point of view, the transaction lies outside the scope of application of IFRS 3 - "Business combinations" and, in the absence of specific rules that regulate the case in the body of the IAS/IFRS, in line with the Framework and IAS 8 and now widely shared by the accounting best practice normally applied on the market (see also doc. Assirevi OPI no.1 R), it was accounted for in respect of the principle of the continuity of equity values in the IAS/IFRS consolidated financial statements of the common parent company BFG from the date of acquisition and without recognising the income statement effects as at said date.

With specific reference to the "date of acquisition", it should be specified that, although the transaction took effect from 15 November 2019 for legal purposes, the date, which normally coincides with the moment in which the purchaser acquires control (and, generally, this is the date which corresponds to the one on which the transfer of the consideration is completed and the purchaser acquires the net assets of the acquiree, so-called "closing date"), was identified as 1 November 2019. In this regard, given that the drafting of an accounting position as at 15 November 2019 would have involved an inaccurate reconstruction of data, the Mittel Group decided, owing to the short period of time that passed with respect to the date of acquisition, to opt for said reference date.

In order to provide adequate information, details of the net assets acquired as at the reference date are provided below:

Situazione patrimoniale-finanziaria Sport Fashion Service al 31 ottobre 2019

Valori in Euro '000	Dati in continuità di valori
Attività immateriali	20.276
Attività materiali	2.299
Crediti diversi e altre attività	69
Attività per imposte anticipate	174
Totale Attività Non Correnti	**22.818**
Rimanenze	4.075
Crediti diversi e altre attività	17.221
Disponibilità liquide e mezzi equivalenti	2.250
Totale Attività Correnti	**23.546**
Debiti finanziari	(9.019)
Fondi per il personale	(370)
Passività per imposte differite	(137)
Fondi per rischi ed oneri	(29)
Totale Passività Non Correnti	**(9.555)**
Debiti finanziari	(6.594)
Passività fiscali correnti	(1.121)
Debiti diversi e altre passività	(7.956)
Totale Passività Correnti	**(15.671)**
Attivo netto	**21.138**
Quota di pertinenza dell'Attivo netto (90%)	**19.024**
Corrispettivo di acquisto regolato a pronti	11.250
Corrispettivo di acquisto potenziale con regolamento differito	5.705
Fair value del costo dell'aggregazione d'impresa alla data di acquisizione	**16.955**
Bargain Purchase (PN under common control)	**2.069**

The difference between the consideration for the total purchase of 90% of SFS by Mittel came to around EUR 17 million, including the best estimate of the earn-out (“Consideration transferred” or the cost incurred for the acquisition of control), and the net book values relating to SFS resulted in a negative differential of EUR 2,1 million.
Owing to the nature of transaction under common control, this differential is booked as an increase in Group equity, in place of the recognition in the income statement which would have occurred if the transaction had been not under common control.

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	(11.250)
Costi correlati all'acquisizione	(310)
Disponibilità liquide acquisite	2.250
Liquidità netta utilizzata per l'acquisizione	**(9.310)**

Other transactions

The following additional transactions were carried out during the year:

- increase of Mittel S.p.A.’s interest in Earchimede S.p.A. from 85,01% to 99,71%;
- reduction by Mittel S.p.A. of its interest in Gruppo Zaffiro S.r.l from 75% to 60%;
- as well as the increase from 80% to 90% in the share held in Ceramica Cielo S.p.A. by Mittel Design S.r.l..

These transactions, regarding changes in the shareholdings that do not determine the loss or acquisition of control were considered, in compliance with the provisions of IFRS 10, transactions between shareholders and, subsequently, the associated effects are accounted for as an increase or decrease in Group equity.

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 31 December 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 31 December 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 31 December 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.	Parco Mediterraneo S.r.l.	Ceramica Cielo S.p.A.	Galassia Group	Disegno Ceramica S.r.l.	Gruppo Zaffiro
Margine Operativo Lordo	**28**	**(103)**	**3.196**	**(54)**	**(172)**	**(16)**	**4.601**			**5.488**
di cui:										
Ricavi	*1.852*	*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)*			*(4.092)*
Costi per il personale	*(406)*	*0*	*(2.472)*	*0*	*0*	*0*	*(3.545)*			*(9.156)*
Risultato Operativo	**(68)**	**(103)**	**614**	**(54)**	**(172)**	**(16)**	**4.050**			**2.728**
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	(3)	0	(935)	(0)	0	(86)	(75)			(2.498)
(Rettifiche)/Riprese di valore attività finanziarie	0	0	0	135	0	0	(22)			(6)
Risultato ante Imposte	**(70)**	**(103)**	**(320)**	**81**	**(172)**	**(102)**	**3.959**			**1.393**
Imposte sul reddito	(55)	28	59	31	33	18	(1.044)			(217)
Utile (perdita) dell'esercizio	**(125)**	**(75)**	**(262)**	**112**	**(139)**	**(83)**	**2.915**			**1.175**
di cui Risultato di Pertinenza di Terzi	35	(37)	(65)	0	(47)	1	292			224
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**	**27.858**
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**	**240.055**
Passività non correnti	**802**	**0**	**45.565**	**0**	**550**	**1.900**	**4.636**	**9.294**	**7.172**	**194.530**
di cui:										
Debiti finanziari	700	0	40.015	0	0	1.890	2.872	7.119	5.219	190.512
Passività correnti	**892**	**1**	**12.801**	**110**	**2.038**	**461**	**12.202**	**13.587**	**10.092**	**36.833**
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**	**8.692**
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. (2)	49,00%	49,00%	(37)	-	10.780
Disegno Ceramica S.r.l.	20,00%	20,00%	(191)	27	
Galassia S.p.A.	10,00%	10,00%	58	390	
Galassia Hispania	10,00%	10,00%	(6)	91	
Ceramica Cielo S.r.l.	10,00%	10,00%	516	1.885	
Earchimede S.p.A.	0,29%	0,29%	-	14	22
Fashion District Group S.r.l. in liquidation	33,53%	33,34%	(39)	1.884	
IMC S.r.l.	25,00%	25,00%	(227)	3.933	
Balder S.r.l.	25,00%	25,00%	15	411	
Parco Mediterraneo S.r.l.	33,53%	33,53%	(41)	50	
Zaffiro Group	40,00%	40,00%	(248)	6.074	
Sport Fashion Service S.r.l.	10,00%	10,00%	3	2.073	
Fremil Gmbh	10,00%	10,00%	-	43	
			(197)	16.875	10.802

(1) Availability of voting rights at ordinary shareholders' meetings
(2) Non-controlling interests present exclusively in the first half, before the company liquidation.

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 31 December 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. These results, for companies subject to acquisition in the year, relate to the period from which the companies form part of the scope of consolidation of Mittel S.p.A..

Information on the Consolidated Statement of Financial Position

Non-current assets

4. Intangible assets

Intangible assets amounted to EUR 105,5 million, a significant 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	**67.584.548**	**5.427.687**	**98**	**146.108**	**210.759**	**73.369.200**
Changes in the year:						
- acquisitions	-	12.199	-	112.599	939	**125.737**
- increase due to business combinations	30.155.151	1.752.919	82.223	122.818	133.250	**32.246.361**
- disposals			-			**-**
- reclassifications						**-**
- amortisation	-	(245)	(17.572)	(134.541)	(86.748)	**(239.106)**
- other changes	-	-	-	-	-	**-**
Total changes	**30.155.151**	**1.764.873**	**64.651**	**100.876**	**47.441**	**32.132.992**
Values as at 31.12.2019	**97.739.699**	**7.192.560**	**64.749**	**246.984**	**258.200**	**105.502.192**

The overall increase in this item of EUR 32,1 million is attributable:

- for EUR 30,2 million, to the recognition of goodwill relating to the new acquisitions made in the year;
- for EUR 1,8 million, to the item Trademarks, again relating to the acquisitions made in the year and, in particular, to that of Sport Fashion Service.

Goodwill at 31 December 2019, amounting to EUR 97,7 million, is attributable:

- for EUR 45,7 million to Zaffiro Group (and its subsidiaries), up EUR 3,0 million in relation to the business combinations carried out during the year (C.P.M. S.r.l. and N.R.S. S.r.l.);
- for EUR 19,3 million to IMC, unchanged from the previous year;
- for EUR 5,6 million to Ceramica Cielo, also unchanged from 31 December 2018;
- for EUR 6,7 million to Galassia, acquired in June and subject to a PPA process and the process of determination of the fair value of the net assets acquired which has been launched, even though still not definitive (will be completed by 30 June 2020);
- for EUR 2,1 million to Disegno Ceramica, it also acquired in June and subject to a PPA process and the process of determination of the fair value of the net assets acquired (this process will also be concluded by 30 June 2020);
- for EUR 18,4 million to Sport Fashion Service, a company acquired in November 2019 as part of a transaction that qualifies as under common control, a transaction accounted for based on continuity of values with respect to the IFRS balances of the company, already subject to consolidation by the indirect parent company Mittel S.p.A..

The “Trademarks” item, amounting to EUR 7,2 million, is detailed as follows:

- EUR 4,3 million for the Ceramica Cielo trademark, recognised at the time of completion of the PPA process, on 30 June 2018;
- EUR 1,1 million for the Gruppo Zaffiro brand, also recognised at the time of completion of the related PPA process, as at 31 December 2017;
- EUR 1,7 million for brands (and in particular the “Ciesse Piumini” brand) held by Sport Fashion Service.

Goodwill impairment test

As at 31 December 2019, pending the completion of the PPA processes for the business combinations carried out during the year (Galassia S.r.l. and Disegno Ceramica S.r.l.) and in consideration of the fact that the CGU belonging to Ceramica Cielo had already been subjected to the annual impairment test on 30 June 2019 (which did not result in indicators or issues that would require updating the measurement prior to the annual testing envisaged by IAS 36), the CGUs of the following were therefore subjected to impairment tests:

- Zaffiro Group, whose last annual impairment test was conducted on 31 December 2018;
- IMC, which had already been subjected to impairment testing on 30 June 2019, but due to the persistent weakness in the overall macroeconomic scenario, having continued to have temporary negative effects on demand in the reference sector (Automotive) and a subsequent economic performance for the company that was lower than the forecasts incorporated in the previous assessments, required an update of the impairment test, already carried out for similar reasons as at 30 June 2019, before the natural expiry of the mandatory annual deadline envisaged in the international accounting standards.

The purpose of the impairment test on the aforementioned goodwill figures was to assess whether the book values at 31 December 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 separately shown below for the IMC CGU and the Zaffiro Group 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*: the total cost of risk capital (K*e*) identified as at 31 December 2019 stood at **12,7%** (11,0% as at 31 December 2018), based on use of 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 **1,0%**;
  - The unlevered beta – *β*: also known as the "asset beta", indicates the factor of interrelationship between the actual return of a share and the total return of the reference market; it measures the volatility of an 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 **1,19**.
    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 35,5% was calculated and it was deemed reasonable to assume a relevered Beta of **1,69**, which was taken into account for the determination of the cost of capital Ke;
  - An estimated market risk premium of **5,2%**was used;
  - From a prudential point of view, an overall specific risk premium/discount of **3%** has been set, which basically qualifies as an additional premium ("Small cap size premium") or "Lack of Marketability discount", in order to reflect the size differences and non-listing with respect 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 over the long-term of **4,0%** was recognised.
  Tax rate– *t*: a corporate income tax rate (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 3,05%.

- 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 55,0%, to which corresponds a financial structure coefficient D/(D+E) of **35,5%**.

The WACC discount rate used for the assessment is therefore **9,27%** (8,4% as at 31 December 2018).

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) at the book value of the CGU post PPA (column C).

(Valori in Euro '000)	Carrying Amount 31.12.2019			Impairment test 31.12.2019	
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)	***6.519***	***11.570***	***18.089***		
Avviamento		19.258	19.258		
Capitale investito di Gruppo + Avviamento			***37.347***	***42.361***	***5.014***

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 consideration of the unpredictability of the ongoing health emergency and its inevitable repercussions on the Italian and European markets, as well as the consequent impossibility to identify a certain date in which IMC and its customers may actually restart full production operations, it is not currently possible for the company’s management to prepare certain detailed forecasts of the company’s performance in the coming months.

Therefore, despite the event being classified as a non-adjusting event pursuant to IAS 10, it has nonetheless, been taken into due consideration for this sensitivity analysis.

The analysis of the sensitivity of the recoverable value to the parameters of the valuation model (discount and growth rates) has therefore also been supported by an analysis of the possible impacts of the emergency on 2019 (based on the early estimates of management further stressed at central level for the performance of the impairment test, also assuming a knock-on effect for 2021).

In particular, it was ascertained than an increase of 1% in the WACC could make the recoverable value equal to the book value of the CGU.

In the assumption of the reduction to zero of the rate of income growth in the Terminal Value, an excess recoverable value would remain with respect to the book value.

Similarly, in consideration of the Covid-19 emergency, by expanding the sensitivity analyses and making provision, for example, based on the same discount rate (WACC) and growth rate (g), for a decrease of 70% in EBITDA in 2020 and 50% in 2021 with respect to the figures forecast in the Economic-Financial Plan underlying the impairment process (however, more prudent decreases than the initial simulations carried out by the company’s management), would not result in any impairment loss.

Zaffiro Group

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 bodies of the companies that are part of the Zaffiro Group CGU that are subject to impairment testing.
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*: the total cost of risk capital (K*e*) identified stood at **8,4%**, based on use of 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 **1,0%**;
  - The unlevered beta – *β*: also known as the "asset beta", indicates the factor of interrelationship between the actual return of a share and the total return of the reference market; it measures the volatility of an 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 **0,62**.
    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% was calculated and it was deemed reasonable to assume a relevered Beta of **0,86**, which was taken into account for the determination of the cost of capital Ke;
  - An estimated market risk premium of **5,2%**was used;
  - From a prudential point of view, an overall specific risk premium/discount of **3%** has been set, which basically qualifies as an additional premium ("Small cap size premium") or "Lack of Marketability discount", in order to reflect the size differences and non-listing with respect 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 over the long-term of **4,5%** was recognised.
  Tax rate– *t*: a corporate income tax rate (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 3,4%.

- 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%, to which corresponds a financial structure coefficient D/(D+E) of **33,3%**.

The WACC discount rate used for the assessment in question is therefore **6,7%**.

Impairment test results

The result of the impairment analysis, carried out with reference to the Enterprise Value of the CGUs compared to the corresponding value of the operating invested capital of the relative 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 far higher than the book value of the CGU post PPA, for each of the eight CGUs identified at the time of acquisition.

As in the previous years, in addition to the test on the individual CGUs, a second-level impairment test was necessary to verify the recoverability of the overall goodwill recognised by the entire entity subject to the business combination.
This test required the identification of all "corporate assets" that were not allocated to the CGUs that make up the "core" economic activities (in this case, mainly referring to the brand, to which a portion of goodwill was allocated) and the "corporate costs" that cannot be allocated to the individual CGUs, which, in this specific case, are represented by the costs of the Zaffiro Group structure.
To consider the recoverable value of structure costs (operating and personnel costs of the sub-holding Gruppo Zaffiro S.r.l.), these were estimated with absolute prudence and in perpetuity, using the same time horizon and the same parameters described for the test on the individual CGUs.
The following table summarises the results of the impairment test performed.

(Valori in Euro '000)	Carrying Amount 31.12.2019			Impairment test 31.12.2019	
Impairment test II livello	**Capitale investito (A)**	**Avviamento (B)**	**Valore contabile A+B=(C)**	**Valore recuperabile (EV) 31.12.2017 (D)**	**Plusvalore (+) / Impairment loss (-) D-C**
Totale CGU	(1.316)	39.307	37.991	95.929	57.939
Gruppo Zaffiro	1.433	1.100	2.533	(17.544)	(20.077)
Totale perimetro originaria acquisizione	***117***	***40.407***	***40.524***	***78.386***	***37.862***

Lastly, the following were subject to impairment:

- the two additional business combination transactions carried out in the Nursing Home sector in 2018 (acquisition of a business unit by the special purpose vehicle Gruppo Zaffiro S.r.l. and acquisition of Villa Gisella S.r.l. by the special purpose vehicle Zaffiro Firenze S.r.l.);
- those carried out in 2019 (acquisition of C.P.M. S.r.l. and N.R.S. S.r.l.), for which, despite the recent acquisition and the resulting provisional accounting in the financial statements as at 31 December 2019, it was in any case considered that the two acquired units could already be tested for impairment, for which: (i) no specific PPA issues were initially identified in addition to those already incorporated in the balances as at 31 December 2019; (ii) reliable economic-financial plans are already available for estimating the recoverable value.

The results of the impairment analysis carried out on these additional CGUs in the Nursing Home sector highlighted that the recoverable values were well in excess of the book values recognised (including the recognised goodwill).

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, by also verifying 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, substantial excesses would emerge between the recoverable values. Also in this pessimistic scenario, nonetheless, no cases of impairment would emerge, neither for the whole Group nor the individual CGUs.
As regards the health emergency linked to Covid-19, it should be noted that these subsequent events are classed as non-adjusting events pursuant to IAS 10, given that not relating to situations already existing at the reference date of the measurement and the financial statements (31 December 2019). In any case, this aspect was prudentially taken into consideration in the sensitivity analyses, incorporating in them the initial estimated impacts of the ongoing emergency.
Despite, the unpredictability of the ongoing health emergency and its inevitable repercussions, the company’s management, nonetheless, carried out an initial prudent simulation, based on the lowering of the fill rates and, subsequently, the profit margins of the facilities for 2020.
This simulation was incorporated as an additional sensitivity (also assuming a knock-on effect for the years of the plan) and did not highlight valuation problems, in light of the large margin present, for all CGUs (as at corporate level for the second level impairment test), between the recoverable values and the book values.

5. Property, plant and equipment

This item amounted to EUR 260,6 million, up by EUR 213,7 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	**18.594.673**		**23.828.350**	**2.744.504**		**1.721.019**	**46.888.546**
Changes in the year:							
- acquisitions	13.202.526		2.881.906	2.282.219	5.777.492	2.013.055	**26.157.198**
- increase due to business combinations	12.565.487		5.285.630	1.517.433		248.512	**19.617.062**
- disposals	(11.979.654)		(24.466)	(222.260)		(325.617)	**(12.551.997)**
- reclassifications							**-**
- depreciation	(651.193)		(5.375.711)	(502.341)	(7.114.527)	(629.697)	**(14.273.469)**
- other changes	-		-	-	194.719.201	-	**194.719.201**
Total changes	**13.137.166**	**-**	**2.767.359**	**3.075.051**	**193.382.166**	**1.306.253**	**213.667.995**
Values as at 31.12.2019	**31.731.839**		**26.595.709**	**5.819.555**	**193.382.166**	**3.027.272**	**260.556.541**

The item was influenced significantly by the application of IFRS 16, which as described thoroughly in other sections of this annual report involved the recognition of rights of use totalling EUR 193,4 million as at 31 December 2019.
A table that summarises the changes in the item is provided below, starting from the first-time adoption of the standard as at 1 January 2019.

(Valori in Euro)

	Valore netto al 01.01.2019 per FTA IFRS16	Incrementi per nuovi contratti di leasing	Operazioni di retrolocazione	Alienazioni	Ammortamenti	Aggregazioni di imprese	Svalutazioni	Altre variazioni nette	Valore netto al al 31.12.2019
Terreni, Fabbricati e Edifici	116.459.931	51.298.427	16.977.695	-	(6.877.871)	12.041.493	-	2.777.895	192.677.571
Attrezzature	268.329	-	-	-	(99.616)	-	-	-	168.713
Mobili e macchinario da ufficio	20.390	-	-	-	(13.004)	33.441	-	-	40.827
Autoveicoli e Mezzi di trasporto interno	38.075	92.265	-	-	(55.735)	183.621	-	-	258.226
Autovetture	111.352	123.785	-	-	(68.301)	79.534	(25.010)	15.469	236.830
Totale	**116.898.077**	**51.514.477**	**16.977.695**	**-**	**(7.114.526)**	**12.338.089**	**(25.010)**	**2.793.364**	**193.382.166**

Note that during the year, sales and lease-back transactions were concluded in the Nursing Home sector at a sales price greater than the value of the assets 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 5,6 million), recognising in the income statement only the amount of the profit that refers to the share of the rights transferred.

6. Investments accounted for using the equity method

These totalled EUR 6,1 million, essentially unchanged compared to the prior period.

	31.12.2019	31.12.2018
Mittel Generale Investimenti S.r.l.	5.400.000	5.400.000
Mit.Fin S.p.A.	200.789	246.560
Superpartes S.p.A.	512.554	474.223
	6.113.343	**6.120.783**

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%	5.400.000	-	-	-	-	-	-	5.400.000
Mit.Fin Compagnia Finanziara S.p.A.	30,00%	246.560	-	-	(45.771)	-	-	-	200.789
Tramite Earchimede S.p.A.			-	-	-	-	-	-	
Superpartes S.p.A.	11,86%	474.224	-	-	53.171	-	(14.840)	-	512.555
		6.120.784	**-**	**-**	**7.400**	**-**	**(14.840)**	**-**	**6.113.343**

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.	22.695	6.128	-	(728)	**5.400**
Mit.Fin Compagnia Finanziara S.p.A.	669	201	-	-	**201**
Superpartes S.p.A.	1.281	149	364	-	**513**
	24.645	**6.477**	**364**	**(728)**	**6.113**
	24.645	**6.477**	**364**	**(728)**	**6.113**

Associates

The income statement and statement of financial position figures as at 31 December 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:

Companies subject to significant influence	Mit.Fin Compagnia Finanziaria S.p.A.	Superpartes S.p.A.	Mittel Generale Investimenti S.r.l.
(thousands of Euro)			
Non-current assets	**3**	**1.025**	**23.589**
Financial receivables	-	-	23.576
Other financial assets	-	-	-
Current assets	**1.017**	**532**	**3.477**
Cash and cash equivalents	845	300	747
Total assets	**1.020**	**1.557**	**27.066**
Equity	**669**	**1.281**	**22.695**
Non-current liabilities	**35**	**66**	**857**
Non-current financial payables	-	-	-
Current liabilities	**316**	**210**	**3.514**
Current financial payables	-	50	3.275
Total equity and liabilities	**1.020**	**1.557**	**27.066**
Gross operating margin (EBITDA)	**(129)**	**(117)**	**(715)**
Costs for services	(1.231)	(405)	(447)
Operating result (EBIT)	**(132)**	**(125)**	**(1.124)**
Amortisation/depreciation	(2)	-	(9)
Value adjustments to financial assets	-	-	(400)
Financial income	1	606	1.678
Financial expenses	-	(33)	(375)
Profit (loss) from trading of financial assets	-	-	1.100
Profit (loss) before taxes	**(131)**	**448**	**1.279**
Income taxes	(22)	-	(208)
Profit (loss) for the year (1)	**(153)**	**448**	**1.071**
Other profits/(losses) components net of taxes (2)	-	-	-
Comprehensive profit (loss) (3) = (1) + (2)	**(153)**	**448**	**1.071**

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 33,5 million, down by EUR 12,3 million.

	31.12.2019	31.12.2018
Loans	32.936.875	45.600.456
Other receivables	522.797	200.000
Security deposits	-	-
	33.459.672	**45.800.456**

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

The item “Other receivables” is composed of the contribution by Markfactor S.r.l. in liquidation (EUR 0,2 million) and the contribution to Galassia S.r.l. (EUR 0,3 million).

The item “Loans” is composed as follows:

	31.12.2019	31.12.2018
- Loans - financial institutions	9.847.964	9.806.032
- Loans - customers	23.088.911	35.794.424
	32.936.875	**45.600.456**

8. Other financial assets

These totalled EUR 16,4 million, down by EUR 1,5 million.

The item is composed as follows:

	31.12.2019	31.12.2018
Financial assets		
Equities and fund units	16.360.952	17.864.891
Bonds	-	-
Derivative financial instruments	-	-
Financial assets measured at fair value	-	-
	16.360.952	**17.864.891**

The item includes equity instruments recorded as financial assets as well as financial assets measured at fair value and is composed as follows:

	31.12.2019	31.12.2018
Equities and fund units:		
Fondo Augusto	11.523.972	12.341.764
Equinox Two S.c.a.	700.992	1.313.669
Fondo Cosimo I	582.240	1.253.095
SIA - SSB S.p.A.	1.400.000	1.400.000
Opera 2 Partecipations S.C.A.	249.116	178.103
Medinvest International S.A.	426.000	426.000
Investitori Associati II S.A.	833.170	849.154
Nomisma S.p.A.	100.000	100.000
Isfor 2000 S.c.p.a.	3.000	3.000
BCC di Casalgrasso e Sant'Albano di Stura	106	106
House Lab s.r.l.	100.000	-
Other	27.327	-
Bonds:		
BTP exp. 01/11/23	295.029	-
Generali life policy	120.000	-
	16.360.952	**17.864.891**

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

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 31.12.2019
Equities and fund units:								
Fondo Augusto	12.341.764		-	-	-	-	(817.792)	11.523.972
Equinox Two S.c.a.	1.313.669		(677.729)	-	-	-	65.052	700.992
Fondo Cosimo I	1.253.095		-	-	-	-	(670.855)	582.240
SIA - SSB S.p.A.	1.400.000		-	-	-	-	-	1.400.000
Opera 2 Partecipations S.C.A.	178.103		-	-	-	-	71.013	249.116
Medinvest International S.A.	426.000		-	-	-	-	-	426.000
Investitori Associati II S.A.	849.154		-	-	-	-	(15.984)	833.170
Nomisma S.p.A.	100.000		-	-	-	-	-	100.000
Isfor 2000 S.c.p.a.	3.000		-	-	-	-	-	3.000
BCC di Casalgrasso e Sant'Albano di Stura	106		-	-	-	-	-	106
House Lab s.r.l.		100.000	-	-	-	-	-	100.000
Other		27.327	-	-	-	-	-	27.327
Bonds:								
BTP exp. 01/11/23	-	295.029	-	-	-	-	-	295.029
Generali life policy	-	120.000	-	-	-	-	-	120.000
	17.864.891	542.356	**(677.729)**	**-**	**-**	**-**	**(1.368.566)**	**16.360.952**

Net decreases from valuation, totalling EUR 1,4 million, are explained by the net effect of the net write-downs of assets owned by the Parent Company for EUR 1,5 million (write-downs for EUR 1,4 million and revaluations for EUR 0,1 million) and net revaluations for EUR 0,1 million recognised by Earchimede S.p.A..

9. Sundry receivables and other assets

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

	31.12.2019	**31.12.2018**
Tax receivables	113.777	146.258
Other receivables	690.696	474.511
Other assets	93.583	280.261
	898.056	**901.030**

10. Deferred tax assets

These totalled EUR 11,4 million, up by EUR 6,8 million.

	31.12.2019	**31.12.2018**
Tax assets recognised through profit or loss	10.892.172	4.320.410
Tax assets recognised in equity	524.632	265.674
	11.416.804	**4.586.084**

	31.12.2019	**31.12.2018**
Deferred tax assets		
Property, plant and equipment/intangible assets	134.515	81.403
Allocations	156.908	126.413
Other assets/liabilities	5.019.158	259.022
Losses carried forward	6.090.734	4.090.734
Other	15.489	28.512
	11.416.804	**4.586.084**

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

	31.12.2019	31.12.2018
Opening balance	**4.320.410**	**350.679**
Increases	**6.571.762**	**4.133.583**
Deferred tax assets recorded in the period:	17.472	32.742
- other	*17.472*	*32.742*
Increases in tax rates	-	-
Other increases	6.554.290	4.100.841
Decreases	**-**	**(163.852)**
Deferred tax assets cancelled in the period:	-	(4.722)
- reversals	-	*(4.722)*
Decreases in tax rates	-	-
Other decreases	-	(159.130)
	10.892.172	**4.320.410**

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

	31.12.2019	31.12.2018
Opening balance	**265.674**	**72.774**
Increases	**259.433**	**210.852**
Increases in tax rates	-	-
Other increases	259.433	210.852
Decreases	**(475)**	**(17.952)**
Decreases in tax rates	-	-
Other decreases	(475)	(17.952)
	524.632	**265.674**

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 31 December 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 31 December 2019, the remaining usable previous losses pertaining to the tax consolidation amount to approximately EUR 45 million, in addition to the excess interest payable that can be used in the tax consolidation of EUR 19 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, 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

As at 31 December 2019, the item amounted to EUR 78,5 million, an increase of EUR 0,2 million compared to the previous year. In particular, the item is composed as follows:

	31.12.2019	31.12.2018
Property inventories	51.858.576	64.816.430
Inventories of goods and products	23.129.809	9.478.301
Inventories of raw materials	3.526.061	3.962.157
	78.514.446	**78.256.888**

Property inventories

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

	31.12.2019	31.12.2018
Gamma Tre S.r.l.	2.900.000	2.900.000
Lucianita S.r.l. in liquidation		92.628
Mittel Investimenti Immobiliari S.r.l.	29.852.177	44.566.542
MiVa S.r.l.	15.521.449	13.757.260
Parco Mediterraneo S.r.l.	2.300.000	2.300.000
Regina S.r.l.	1.284.950	1.200.000
Total	**51.858.576**	**64.816.430**

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	31.12.2019
Gamma Tre S.r.l.	2.900.000	-	-	-	-	-	2.900.000
Lucianita S.r.l.	92.628	-	-	(92.628)	-	-	-
Mittel Investimenti Immobiliari S.r.l.	44.566.542	-	-	(14.714.365)	-	-	29.852.177
MiVa S.r.l.	13.757.260	-	1.842.946	-	-	(78.757)	15.521.449
Regina S.r.l.	1.200.000	-	84.950	-	-	-	1.284.950
Parco Mediterraneo S.r.l.	2.300.000	-	-	-	-	-	2.300.000
Total	**64.816.430**	**-**	**1.927.896**	**(14.806.993)**	**-**	**(78.757)**	**51.858.576**

In order to allow a better analysis of the Group’s property portfolio, in support of the financial statement disclosures, reference is made to the recognition criteria used and to the market values applied.
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.

The market value of the property portfolio

Market value means the value determined by appraisals of individual properties, carried out by external experts; the appraisal is conducted at the reporting date. The appraisals make use of information that mainly regards: the time span and the characteristics of the property transaction (area quantification and usage breakdown), amount of expenses and commitments borne by the owners.

More specifically, for “property development” projects, the criteria adopted by the external experts involved the use of the Transformation Method which is based on the discounting, at the estimate date, of the cash flows generated by the property transaction over the period of time corresponding to its duration, by using the appropriate discount rates, the financial components and business risk of the transaction. Given that the cash flows are the result of the difference between revenue and costs, more concisely, the value of the initiative determined using this method may be defined as the difference between the value of the transformed property and the costs incurred for its transformation.
For properties that are available to be appraised in their *de facto* and *de iure* situation without significant structural interventions or changes in use, the Discounted Cash Flow Analysis Method was used. The method is based on the assumption that no rational buyer is willing to pay a price to acquire a property that is higher than the present value of the economic benefits that the asset is able to produce over the course of its useful life. With regards, in particular, to properties subject to valuation, the economic benefits are represented by the cash flows originating from the property’s “income generation” and by its subsequent disposal, and therefore by the lease payments (actual and/or potential) of the property, net of management costs and the terminal value of the property.
Finally, the Comparative (or Market) Method was used for the completed properties being sold, which is based on the assumption that no rational buyer is willing to pay a price to acquire a property that is higher than the cost of similar assets that have the same degree of utility. This expression refers to the economic principles of substitution (according to which the value of an asset is determined by the price that must be paid to purchase a perfectly identical asset with the same characteristics of utility and desirability) and of balance between demand and supply (according to which the price of an asset is directly determined by the exchange market and represents the definitive synthesis of the negotiation process in which buyers and sellers participate).
All available information is used for the valuation, taking into consideration factors such as: period for development or income generation, location, age, quality and condition of the buildings (accessibility, surface area, construction type, state of repair, functionality) and payment methods.

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 5,2 million for IMC S.p.A.;
- EUR 0,4 million for Balder S.r.l..;
- EUR 6,4 million for Ceramica Cielo S.p.A.;
- EUR 3,6 million for Disegno Ceramica S.r.l.;
- EUR 6,0 million for Galassia S.r.l.;
- EUR 0,2 million for Galassia Hispania;
- EUR 4,8 million for Sport Fashion Service S.r.l..

In addition, the industrial warehouse is carefully measured when the reporting is closed, identifying any phenomena of obsolescence or slow- or no-moving goods.

12. Financial receivables

This item was equal to EUR 0,1 million (not present as at 31 December 2018).

	31.12.2019	31.12.2018
Loans	-	-
Other receivables	25.200	-
Security deposits	-	-
	25.200	**-**

13. Tax assets

As at 31 December 2019, the item amounted to EUR 1,6 million, an increase of EUR 3,8 million.

	31.12.2019	31.12.2018
IRES (corporate income tax)	1.158.965	4.549.018
IRAP (regional business tax)	455.263	864.480
Other taxes	-	-
	1.614.228	**5.413.498**

The main components of current IRES (corporate income tax) assets include EUR 422 thousand in tax receivables deriving from withholding taxes and advances paid to date by Mittel S.p.A., for EUR 500 thousand to IMC S.r.l., for EUR 50 thousand to Earchimede S.p.A. and EUR 97 thousand for IRES receivables of companies in the real estate sector.

The IRAP receivable is mainly due to payments on account made by Mittel S.p.A. (EUR 153 thousand), IMC S.p.A. (EUR 162 thousand), Balder S.r.l. (EUR 40 thousand), Earchimede S.p.A. (EUR 43 thousand) and Disegno Ceramica S.r.l. (EUR 31 thousand).

The item showed the following changes:

	31.12.2019	31.12.2018
Opening balance	**5.413.498**	**9.411.540**
Increases	**911.219**	**215.778**
Current tax assets recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Other increases	911.219	215.778
Decreases	**(4.710.489)**	**(4.213.820)**
Current tax assets cancelled in the year:	**-**	**-**
- reimbursements	-	-
Other decreases	(4.710.489)	(4.213.820)
	1.614.228	**5.413.498**

14. Sundry receivables and other assets

As at 31 December 2019, the item amounted to EUR 50,2 million, an increase of EUR 27 million, and was composed as follows:

	31.12.2019	31.12.2018
Trade receivables	39.246.546	16.824.957
Other tax receivables	5.249.782	2.950.113
Other receivables	4.585.136	2.277.386
Accrued income and prepaid expenses	1.118.939	1.150.118
	50.200.403	**23.202.574**

The item “Trade receivables” is mainly comprised of receivables due from customers deriving from ordinary operations of Group companies.
Tax receivables refer mainly to Group VAT receivables for EUR 4,4 million.

The “Other receivables” item is mainly due to the contribution of: (i) the Automotive sector for EUR 0,3 million; (ii) the Nursing Home sector for EUR 2,7 million, (iii) the Design sector for EUR 1 million; Fashion District Group S.r.l. in liquidation for EUR 0,3 million and 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 Design sector for EUR 0,4 million, (ii) the Nursing Home sector for EUR 0,3 million; (iii) the Fashion sector for EUR 0,3 million, (iv) the Automotive sector for EUR 0,1 million and the contribution of the Parent Company for EUR 0,1 million.

15. Cash and cash equivalents

Cash and cash equivalents, amounting to EUR 173,2 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:

	31.12.2019	**31.12.2018**
Cash	103.433	224.014
Bank and postal deposits	173.061.829	223.598.277
	173.165.262	**223.822.291**

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

16. Assets held for sale

The item, absent as at 31 December 2019, presented a balance of EUR 19,0 million as at 31 December 2018.

	31.12.2019	**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 220,1 million, a decrease of EUR 1,1 million from 31 December 2018.

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

	31.12.2019	**31.12.2018**
Share capital	87.907.017	87.907.017
Legal reserve	17.581.403	16.760.462
Treasury shares	-	(11.178.114)
Share/holding premium reserve	53.716.218	53.716.218
Valuation reserves	(825.204)	(539.846)
Other reserves	25.483.756	29.948.359
Profit (loss) of previous years	35.813.469	43.215.224
Profit (loss) for the year	450.118	1.323.622
Equity	**220.126.777**	**221.152.942**

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 31 December 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 31 December 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	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 31.12.2019	Share pertaining to non-controlling interests as at 31.12.2019	Total valuation reserve as at 31.12.2019
		Increases	Decreases					
Cash flow hedge reserve								
Hedging derivatives	(155)	-	92	-	-	(63)	(15)	(78)
Total	**(155)**	**-**	**92**	**-**	**-**	**(63)**	**(15)**	**(78)**
Employee defined benefit plans (IAS 19 revised):								
Actuarial reserve	(385)	(378)			-	(763)	(118)	(881)
	(385)	**(378)**	**-**	**-**	**-**	**(763)**	**(118)**	**(881)**
	(540)	**(378)**	**92**	**-**	**-**	**(826)**	**(133)**	**(959)**

Other comprehensive income/(expense)

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

			Non-controlling interests		Profit (loss) pertaining to the Group	
	01.01.2019 31.12.2019	**01.01.2018 31.12.2018**	**01.01.2019 31.12.2019**	**01.01.2018 31.12.2018**	**01.01.2019 31.12.2019**	**01.01.2018 31.12.2018**
Profit/(loss) for the year (A)	**253.363**	**2.308.300**	**(196.755)**	**984.678**	**450.118**	**1.323.622**
Effective part of the cash flow hedges	129.076	(119.299)	35.454	(29.706)	93.622	(89.593)
Profits/(losses) from the redetermination of available-for-sale financial assets	-	(3.253.693)	-	(218.090)	-	(3.035.603)
Profits/(losses) from the transfer of available-for-sale financial assets	-	-	-	-	-	-
Release to the income statement of losses for fair value impairment on available-for-sale financial assets	-	-	-	-	-	-
Profits/(losses) of companies measured using the equity method	-	-	-	-	-	-
Profits/(losses) from remeasurement of defined benefit plans	(514.660)	48.213	(75.033)	21.073	(439.627)	27.140
Tax effect relating to other profits/(losses)	97.645	(5.433)	20.134	(5.013)	77.511	(420)
Total other profits/(losses), net of taxes (B)	**(287.939)**	**(3.330.212)**	**(19.445)**	**(231.718)**	**(268.494)**	**(3.098.494)**
Total comprehensive profit/(loss) (A) + (B)	**(34.576)**	**(1.021.912)**	**(216.200)**	**752.960**	**181.624**	**(1.774.872)**

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

	01.01.2019 31.12.2019			01.01.2018 31.12.2018		
	Gross value	**Tax expense/benefit**	**Net value**	**Gross value**	**Tax expense/benefit**	**Net value**
Effective part of the cash flow hedges	129.076	-	129.076	(119.299)	-	(119.299)
Profits/(losses) from the redetermination of available-for-sale financial assets	-	-	-	(3.253.693)	14.918	(3.238.775)
Profits/(losses) from the transfer of available-for-sale financial assets	-	-	-	-	-	-
Release to the income statement of losses for fair value impairment on available-for-sale financial assets	-	-	-	-	-	-
Profits/(losses) of companies measured using the equity method	-	-	-	-	-	-
Profits/(losses) from remeasurement of defined benefit plans	(514.660)	97.645	(417.015)	48.213	(20.351)	27.862
Other components of the statement of comprehensive income reclassified to the income statement						-
Total other profits/(losses)	**(385.584)**	**97.645**	**(287.939)**	**(3.324.779)**	**(5.433)**	**(3.330.212)**

18. Non-controlling interests

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

	31.12.2019	31.12.2018
Share capital pertaining to non-controlling interests	16.677.135	9.298.852
Treasury shares pertaining to non-controlling interests	-	-
Other reserves pertaining to non-controlling interests	528.722	17.975.955
Non-controlling interests - Reserve from financial assets	-	-
Non-controlling interests - Cash flow hedge reserve	(15.384)	(50.838)
Non-controlling interests - Valuation reserve IAS 19	(118.340)	(80.301)
Profit (loss) for the period pertaining to non-controlling interests	(196.755)	984.678
Equity pertaining to non-controlling interests	**16.875.378**	**28.128.346**

Non-current liabilities

19. Bonds

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

	31.12.2019	31.12.2018
Current portion	2.089.090	44.844.360
Non-current portion	129.307.985	129.255.667
	131.397.075	**174.100.027**

As at 31 December 2019, the following bond was in place, listed on the screen-based bond market (“MOT”):

- “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 31 December 2019, the book value of the liability for bonds breaks down as follows:

	31.12.2019	31.12.2018
“Mittel S.p.A. 2017-2023” bonds, fixed rate 3,75%		
Current portion	2.089.090	2.089.090
Non-current portion	129.307.985	129.205.282
Total “Mittel S.p.A. 2017-2023” bonds, fixed rate 3,75%	**131.397.075**	**131.294.372**
“Mittel S.p.A. 2013-2019” bonds, fixed rate 6%		
Current portion	-	983.273
Non-current portion	-	43.818.029
Total “Mittel S.p.A. 2013-2019” bonds, fixed rate 6%	**-**	**44.801.302**
Total bonds	***131.397.075***	***174.100.027***

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

The table below shows the differential between the nominal value of the bond issue (including the coupon accrued at 31 December 2019) and the book value of the same. This difference is due to the application of the amortised cost method. The differential shown provides 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.

	31.12.2019	31.12.2018
Current portion		
"Mittel S.p.A. 2017-2023" bonds, fixed rate 3,75% (coupon in the process of maturity)	2.089.090	2.089.090
Non-current portion		
"Mittel S.p.A. 2017-2023" bonds, fixed rate 3,75% (repayment value at maturity)	129.514.718	129.514.718
Total nominal repayment	**131.603.808**	**131.603.808**
Measurement at amortised cost	(206.733)	(259.051)
Total book value	**131.397.075**	**131.344.757**

The fair value as at 31 December 2019 of the bond issue is as follows:

- for the 2017-2023 bond, EUR 0,9219395 per security (103,01 on a 100 basis), for a total market value of EUR 133.413.111.

The prospectus and the regulation for the bond issue is available on the website www.mittel.it, in the section "Investor Relations".

The 2017-2023 loan requires that, after 36 months from issue, Mittel 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 31 December 2019, the item amounted to EUR 262 million, an increase of EUR 206,8 million over the previous year.

The item is composed as follows:

	31.12.2019	31.12.2018
Bank loans	58.305.762	47.084.329
Other loans	1.929.191	1.896.109
Financial lease payables	-	5.464.907
Other financial payables	832.363	716.407
Liabilities for rights of use	200.908.942	-
	261.976.258	**55.161.752**

The main contributions to the "Bank loans" item are as follows: IMC S.p.A. for EUR 19,2 million, the Nursing Home sector for EUR 21,1 million, Galassia S.r.l. for EUR 7,2 million, Mittel Design S.r.l. for EUR 3,6 million, Sport Fashion Service S.r.l. for EUR 3,3 million, Miva S.r.l. for EUR 2,5 million and Ceramica Cielo S.p.A. for EUR 1,4 million.

The “Other loans” item mainly 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 as a result of the reverse merger through incorporation of Mittel Automotive into IMC, which was completed in December 2017.
Other financial payables are attributable to: (i) Ceramica Cielo S.p.A. for EUR 0,1 million and (ii) Zaffiro Sanremo S.r.l., for EUR 0,5 million, (iii) Sport Fashion Service S.r.l. for EUR 0,2 million.
Liabilities for rights of use derive from the application of IFRS 16 to 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:

(amounts in EUR)

	31/12/2019	Effect of FTA IFRS 16 01.01.2019
Liabilities for short-term leases	(5.273.204)	(3.548.284)
Liabilities for medium/long-term leases	(200.908.942)	(117.122.188)
Total lease liabilities	**(206.182.146)**	**(120.670.472)**

The effect from first-time adoption of IFRS 16 as at 1 January 2019 is equal to EUR 120.670 thousand, primarily related to lease contracts on properties that are instrumental for the activities of the lessee companies of the Group (mainly in the Nursing Home sector).

The interest expense accrued in the year on the financial liabilities booked pursuant to IFRS 16 amounted to a total of EUR 5.205.193.

21. Other financial liabilities

As at 31 December 2019, the item amounted to EUR 6 million (EUR 0,2 million as at 31 December 2018).

	31.12.2019	31.12.2018
Derivative financial instruments	253.197	210.248
Other liabilities	5.705.000	-
	5.958.197	**210.248**

The item “Derivative financial instruments” consists of the contribution from Gruppo Zaffiro S.r.l. for EUR 98 thousand, from IMC S.p.A. for EUR 84 thousand, from Galassia S.r.l. for EUR 58 thousand and Ceramica Cielo S.p.A. for EUR 14 thousand.
The item other liabilities relates to the estimate of the earn-out contractually envisaged for the acquisition of Sport Fashion Service by Mittel S.p.A..

22. Provisions for personnel

As at 31 December 2019, the item amounted to EUR 7,7 million, an increase of EUR 2,4 million, and was composed as follows:

	31.12.2019	31.12.2018
Employee severance indemnity	7.605.635	5.283.966
Other allowances	116.042	44.013
	7.721.677	**5.327.979**

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

	31.12.2019	31.12.2018
Opening balances	**5.283.966**	**4.772.042**
Increases:		
- Allocation for the period	1.861.282	1.514.123
- Increase due to business combinations	846.893	263.319
- Other increases	1.028.027	18.548
Decreases:		
- Utilisations	(132.104)	(441.924)
- Other decreases	(1.282.429)	(842.142)
	7.605.635	**5.283.966**

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 (constant at 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 9,7 million 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:

	31.12.2019	**31.12.2018**
Tax liabilities recognised through profit or loss	9.051.185	6.967.650
Tax liabilities recognised in equity	46.356	73.478
	9.097.541	**7.041.128**

	31.12.2019	**31.12.2018**
Deferred liabilities		
Receivables	36.373	18.373
Assets/liabilities held for sale	22.467	22.467
Investments		
Property, plant and equipment/intangible assets	8.123.210	6.265.217
Other assets/liabilities	915.491	735.071
Other		
	9.097.541	**7.041.128**

This item is primarily broken down into: (i) EUR 4,5 million from the contribution of IMC S.p.A., (ii) EUR 2,6 million from companies in the Nursing Home sector, (iii) EUR 1,1 million from Galassia S.r.l..

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

	31.12.2019	**31.12.2018**
Opening balance	**6.967.650**	**10.164.885**
Increases	**2.922.218**	**2.032.182**
Deferred taxes recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	2.922.218	2.032.182
Decreases	**(838.683)**	**(5.229.417)**
Deferred taxes cancelled in the period:	-	(827)
- reversals	-	*(827)*
Decreases in tax rates	-	-
Other decreases	(838.683)	(5.228.590)
	9.051.185	**6.967.650**

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

	31.12.2019	31.12.2018
Opening balance	**73.478**	**57.279**
Increases	**16.117**	**16.246**
Deferred taxes recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	16.117	16.246
Decreases	**(43.239)**	**(47)**
Deferred taxes cancelled in the period:	-	-
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	(43.239)	(47)
	46.356	**73.478**

24. Provisions for risks and charges

As at 31 December 2019, the item amounted to EUR 1,9 million, an increase of EUR 0,4 million, and was composed as follows:

	31.12.2019	31.12.2018
Provision for risks:		
Legal disputes	687.633	897.861
Disputes with personnel		
Contractual disputes		
Other disputes	566.416	566.416
Other provisions:		
Expenses for personnel		
Other	684.955	41.385
	1.939.004	**1.505.662**

The item saw the following changes:

	31.12.2019	31.12.2018
Opening balance	**1.505.662**	**2.262.371**
Increases:		
Allocation for the period	238.244	283.763
Other increases	645.291	251.157
Decreases:		
Utilisations	(9.496)	(1.098.790)
Other decreases	(440.697)	(192.839)
	1.939.004	**1.505.662**

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 0,1 million, Mittel Advisory S.r.l. for EUR 0,2 million, the Nursing Home sector for EUR 0,4 million, Disegno Ceramica S.r.l. for EUR 0,1 million, Sport Fashion Service S.r.l. for EUR 0,1 million and Ceramica Cielo S.p.A. for EUR 0,1 million.
The provision of the Parent Company Mittel S.p.A. of EUR 0,5 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 0,8 million (EUR 0,2 million as at 31 December 2018) and mainly refer to advances and earnest money received as a result of the sale of the residential units of the Real Estate sector.

Current liabilities

26. Bonds

This item amounts to EUR 2 million and refers to the interest accrued in the period between the coupon registration date of the bond issue to 31 December 2019, as detailed in note 19.

27. Financial payables

The item totalled EUR 19,4 million, up by EUR 8,7 million.

The item is composed as follows:

	31.12.2019	31.12.2018
Bank loans	6.390.600	754.567
Current portion of medium/long-term bank loans	7.108.425	8.775.651
Other loans	597.385	96.937
Other financial payables	50.810	1.041.825
Liabilities for rights of use	5.273.204	-
	19.420.424	**10.668.980**

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 EUR 1,2 million refers to companies in the Nursing Home sector, EUR 4,7 million by Galassia S.r.l. and EUR 0,4 million by Disegno Ceramica S.r.l..

The “Current portion of medium/long-term bank loans” item mainly includes EUR 4,8 million for Sport Fashion Service S.r.l., Ceramica Cielo S.p.A. for EUR 1 million, Mittel Design S.r.l. for EUR 0,8 million and Gruppo Zaffiro S.r.l. for EUR 0,5 million.

The “Other loans” item is mainly composed of the contribution of Ceramica Cielo S.p.A. (EUR 0,1 million), Sport Fashion Service S.r.l. (EUR 0,2 million) and companies in the Nursing Home sector (EUR 0,3 million).

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

28. Other current financial liabilities

	31.12.2019	31.12.2018
Derivative financial instruments		
Other liabilities	6.368.374	13.200.000
	6.368.374	**13.200.000**

29. Current tax liabilities

This item totalled EUR 1,6 million, an increase of EUR 1,5 million from the prior year, and is composed of tax liabilities broken down as follows:

	31.12.2019	31.12.2018
IRES (corporate income tax)	281.177	3.841
IRAP (regional business tax)	1.348.989	133.602
Other	12.888	
	1.643.054	**137.443**

	31.12.2019	31.12.2018
Opening balance	**137.443**	**1.626.222**
Increases	**1.582.903**	**32.496**
Current tax liabilities recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Other increases	1.582.903	32.496
Decreases	**(77.292)**	**(1.521.275)**
Current tax liabilities cancelled in the period:	-	-
- reimbursements	-	-
Other decreases	(77.292)	(1.521.275)
	1.643.054	**137.443**

The item mainly consists of the contribution of (i) the companies in the Nursing Home sector for EUR 1,1 million, (ii) Sport Fashion Service S.r.l. for EUR 0,3 million, (iii) IMC S.p.A. for EUR 0,1 million.

30. Sundry payables and other liabilities

This item amounted to EUR 54,5 million, up by EUR 26,6 million compared to the previous year. The item is composed as follows:

	31.12.2019	31.12.2018
Trade payables	35.934.003	17.408.450
Tax payables	2.706.746	1.855.048
Payables relating to employees	4.684.505	3.089.018
Payables relating to other personnel	500	
Payables due to directors and statutory auditors	993.757	612.976
Payables due to social security institutions	3.514.588	1.672.196
Other payables	5.672.664	2.541.473
Accrued expenses and deferred income	969.238	671.344
	54.476.001	**27.850.505**

The “Trade payables” item mainly includes: EUR 8,1 million in payables recorded by companies in the Nursing Home sector, EUR 5,8 million by Ceramica Cielo S.p.A., EUR 5,3 million by IMC S.p.A., EUR 5 million by Sport Fashion Service S.r.l., EUR 4,8 million by Galassia S.r.l., EUR 3,3 million by Disegno Ceramica S.r.l., EUR 1,6 million by the Parent Company Mittel, EUR 1,3 million by companies in the Real Estate sector, EUR 0,3 million by Balder S.r.l. and EUR 0,2 million by Mittel Advisory S.r.l. in liquidation.

The “Other payables” item is mainly explained:
(i) for EUR 2,6 million by advances and earnest money received by the real estate companies;
(ii) for EUR 1,1 million by the contribution from companies in the Nursing Home sector;
(iii) for EUR 0,9 million by the contribution of IMC S.p.A.;
(iv) for EUR 0,8 million by the contributions of Sport Fashion Service S.r.l..

31. Liabilities held for sale

The item is not present at 31 December 2019; the table is only provided for comparison with the previous period.

	31.12.2019	31.12.2018
Groups of liabilities held for sale		
Investments		542.096
Other liabilities		
Employee severance indemnity		
	-	**542.096**

Information on the Consolidated Income Statement

32. Revenue

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

	31.12.2019	31.12.2018
Revenue from property sales	16.087.779	13.342.250
Revenue from rent	273.559	244.859
Revenue from provision of services	32.336.430	24.043.660
Other revenue	92.558.357	76.293.737
	141.256.125	**113.924.506**

The “Revenue from property sales” item refers to revenue from sales of property inventories. In particular, the item is composed of the contribution made by Mittel Investimenti Immobiliari for EUR 16 million (EUR 11,9 million as at 31 December 2018) and Lucianita S.r.l. for EUR 0,1 million (EUR 1,5 million as at 31 December 2018).

The item “Revenue from rent” relates for EUR 211 thousand (EUR 231 thousand as at 31 December 2018) to lease agreements in place with the Group property companies, for EUR 32 thousand to the contribution of Ceramica Cielo S.p.A. and for EUR 30 thousand to the parent company Mittel S.p.A..

Revenue from provision of services refers mainly to services provided by companies in the Nursing Home sector for EUR 32,3 million (EUR 22,5 million as at 31 December 2018).

The item “Other revenue” refers primarily, for EUR 32,1 million (EUR 42,1 million as at 31 December 2018) to the Automotive sector, for EUR 28,4 million (EUR 26,3 million as at 31 December 2018) to Ceramica Cielo S.p.A., for EUR 12,8 million (EUR 7,4 million as at 31 December 2018) to revenue earned by companies in the Nursing Home sector for contributions reimbursed by local healthcare providers, for EUR 5,6 million to revenue of Disegno Ceramica S.r.l., for EUR 10,8 million to revenue of Galassia S.r.l. and its investee Galassia Hispania and for EUR 2,8 million to revenue of the newly acquired Sport Fashion Service S.r.l..

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

Geographic market	Operating sector						
	Automotive	**Nursing Homes**	**Design**	**Real Estate**	**Fashion**	**Investments**	**Total**
Italy	6.168.489	45.111.338	34.313.802	16.298.508	2.698.819	113.045	104.704.001
Abroad	25.907.528	-	10.547.332	-	97.264	-	36.552.124
	32.076.017	**45.111.338**	**44.861.134**	**16.298.508**	**2.796.083**	**94.247**	**141.256.125**

33. Other income

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

	31.12.2019	31.12.2018
Recoveries of various expenses	279.956	752
Extraordinary contingent assets	5.187.900	1.617.992
Income from elimination of assets	1.175.637	34.501
Other revenue and income	2.862.848	2.073.757
	9.506.341	**3.727.002**

The item "Contingent assets" mainly consists of the contribution of companies in the Automotive sector for EUR 0,5 million (EUR 0,8 million as at 31 December 2018), of Ceramica Cielo S.p.A. for EUR 0,6 million (EUR 0,3 million as at 31 December 2018), of Mittel S.p.A. for or EUR 3,8 million (EUR 0,2 million as at 31 December 2018), of the contribution of Disegno Ceramica S.r.l. for EUR 0,1 million and the contribution of Galassia S.r.l. for EUR 0,1 million.

The item "Income from elimination of assets" is mainly due to the contribution from companies in the Nursing Home sector for EUR 1,0 million.

The "Other revenue and income" item is mainly composed of the contribution of Ceramica Cielo S.p.A. of EUR 1,6 million (EUR 1,5 million as at 31 December 2018), of companies in the Automotive sector for EUR 0,1 million (EUR 0,4 million as at 31 December 2018), of Disegno Ceramica S.r.l. for EUR 0,3 million, of Galassia S.r.l. for EUR 0,5 million, of companies in the Nursing Home sector for EUR 0,2 million and of Mittel S.p.A. for EUR 0,1 million.

34. Changes in inventories

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

	31.12.2019	31.12.2018
Increases in property inventories	1.890.844	403.848
Decreases in property inventories	(14.874.940)	(11.615.458)
Impairment losses in property inventories	-	(2.551.892)
Change in inventories of goods and products	1.047.042	156.146
Change in inventories of raw materials	(2.672.118)	805.741
Impairment losses in inventories	-	50.000
	(14.609.172)	**(12.751.615)**

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).
The contributors to the changes in goods, products and raw materials items were Ceramica Cielo S.p.A. for EUR 1 million, Sport Fashion Service S.r.l. for EUR 0,7 million, Galassia S.r.l. for a negative EUR 0,2 million, Balder S.r.l. for a negative 0,5 million, Disegno Ceramica S.r.l. for a negative EUR 0,9 million and IMC S.p.A. for a negative EUR 1,8 million.

35. Costs for purchases

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

	31.12.2019	31.12.2018
Purchases and property increases	(37.524.764)	(33.173.423)
Provision of services and consultancy	(852.467)	(196.297)
Insurance	(8.891)	(9.380)
Maintenance	(317.724)	(255.812)
Other	(301.303)	(96.805)
	(39.005.149)	**(33.731.717)**

The main contributions to the item were from the company IMC S.p.A. for EUR 15,4 million (EUR 20,7 million as at 31 December 2018), Ceramica Cielo S.p.A. for EUR 9,6 million (EUR 8,2 million as at 31 December 2018), Galassia and its investee Galassia Hispania for EUR 3,5 million, companies in the Nursing Home sector for EUR 2,8 million (EUR 2,1 million as at 31 December 2018), companies in the Real Estate sector for EUR 2,4 million (EUR 0,6 million as at 31 December 2018), Disegno Ceramica S.r.l. for EUR 2,1 million, Sport Fashion Service S.r.l. for EUR 2,1 million and Balder S.r.l. for EUR 1,1 million (EUR 2,0 million as at 31 December 2018).

36. Costs for services

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

	31.12.2019	**31.12.2018**
Legal consultancy	(913.749)	(1.096.754)
Notary consultancy	(486.094)	(228.354)
Other consultancy	(4.513.682)	(3.079.549)
General services and maintenance	(8.108.049)	(6.002.091)
Administrative, organisational and audit services	(439.023)	(331.876)
Cost of temporary workers	-	(70.648)
Directors' fees	(2.494.590)	(3.723.269)
Board of Statutory Auditors' fees	(405.006)	(350.867)
Supervisory Body's fees	(67.067)	(94.002)
Fees for prosecutors and Manager in charge	(16.000)	(16.000)
Rentals	(433.974)	(6.663.253)
Leases	(838.290)	(177.646)
Insurance	(631.791)	(569.356)
Utilities	(4.684.108)	(3.327.217)
Advertising	(950.743)	(868.557)
Other services	(3.888.584)	(2.426.369)
	(28.870.750)	**(29.025.808)**

The main contributions to the costs for services were from companies in the Nursing Home sector for EUR 10,6 million (EUR 10,6 million as at 31 December 2018), Ceramica Cielo S.p.A. for EUR 6,4 million (EUR 6,8 million as at 31 December 2018), Mittel S.p.A. for EUR 2,4 million (EUR 4,7 million as at 31 December 2018), Galassia and its investee Galassia Hispania for EUR 2,3 million, IMC S.p.A. for EUR 2 million (EUR 3,7 million as at 31 December 2018), the Real Estate sector for EUR 1,7 million (EUR 1,9 million as at 31 December 2018), Disegno Ceramica S.r.l. for EUR 1,2 million, Mittel Design S.r.l. for EUR 0,9 million, Balder S.r.l. for EUR 0,6 million (EUR 0,6 million as at 31 December 2018), and Sport Fashion Service S.r.l. for EUR 0,6 million.

37. Personnel costs

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

	31.12.2019	**31.12.2018**
Wages and salaries	(28.733.466)	(21.224.962)
Social security costs	(8.895.878)	(6.487.076)
Employee termination indemnity	(53.050)	-
Allocation to employee severance indemnity	(1.707.234)	(1.514.123)
Payments to external supplementary pension funds	(29.184)	(32.197)
Other personnel costs	(1.220.471)	(1.403.476)
	(40.639.283)	**(30.661.834)**

In particular, personnel costs include EUR 19,2 million from the Nursing Home sector (EUR 13,4 million in last year's financial statements), EUR 6,9 million from Ceramica Cielo S.p.A. (EUR 6,6 million in last year's financial statements), EUR 4,5 million from IMC S.p.A. (EUR 5,5 million in last year's financial statements), EUR 3,4 million from Galassia S.r.l and its investee Galassia Hispania, EUR 3,1 million from the contribution of the parent company Mittel (EUR 3,1 million in the financial statements of the previous year), EUR 2,1 million of Disegno Ceramica S.r.l., EUR 0,7 million from Balder S.r.l. (EUR 0,8 million in last year's financial statements), EUR 0,2 million from Mittel Investimenti Immobiliari S.r.l. (EUR 0,2 million in last year's financial statements) and EUR 0,1 million from Mittel Advisory S.r.l. in liquidation.

Average number of Group employees broken down by category:

	Exact number at 31 December 2019	**Average in the year 2019**	**Average in the year 2018**
Managers	16	13	10
Officials	25	22	23
Employees	158	128	114
Blue-collar staff	995	854	617
Total	**1.194**	**1.017**	**764**

38. Other costs

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

	31.12.2019	**31.12.2018**
Taxes and duties	(1.478.657)	(1.574.639)
Losses on receivables	(189.832)	(120.709)
Capital losses from transfer of property, plant and equipment	(259.841)	(5.674)
Extraordinary contingent liabilities	(545.740)	(146.258)
Other sundry operating expenses	(1.018.746)	(710.503)
	(3.492.816)	**(2.557.783)**

The "Taxes and duties" item is mainly composed of indirect taxes (mainly non-deductible VAT) of Mittel S.p.A. for EUR 0,5 million, of the Real Estate sector for EUR 0,3 million, the Nursing Home sector for EUR 0,4 million, and Ceramica Cielo S.p.A. for EUR 0,1 million.

The main contributions to the "other operating expenses" item are as follows: the parent company for EUR 0,3 million, Ceramica Cielo S.p.A. for EUR 0,2 million, Galassia S.r.l. for EUR 0,2 million, Disegno Ceramica S.r.l. for EUR 0,1 million, Sport Fashion Service S.r.l. for EUR 0,1 million and the Nursing Home sector for EUR 0,1 million.

39. Amortisation and value adjustments to intangible assets

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

	31.12.2019	**31.12.2018**
Intangible assets		
Amortisation	(239.106)	(96.809)
Impairment losses	26.181	-
Property, plant and equipment		
Depreciation of other assets owned	(7.164.303)	(5.629.574)
Amortisation of rights of use	(7.114.527)	-
	(14.491.755)	**(5.726.383)**

In more detail, this item is mainly composed of contributions from the Nursing Home sector (EUR 6,2 million, of which EUR 5,4 million for rights of use), the Automotive sector for EUR 5,4 million (of which EUR 1,2 million for rights of use), Ceramica Cielo S.p.A. (EUR 1,2 million, of which EUR 0,2 million for rights of use), Galassia S.r.l. for EUR 0,9 million (of which EUR 5 thousand for rights of use), Disegno Ceramica S.r.l. for EUR 0,3 million (of which EUR 33 thousand for rights of use), Mittel S.p.A. for EUR 0,3 million (of which EUR 0,2 million for rights of use) and Sport Fashion Service S.r.l. for EUR 0,1 million (of which EUR 46 thousand for rights of use).

40. Allocations to the provision for risks

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

	31.12.2019	31.12.2018
Provisions for ongoing disputes:		
for legal disputes	-	(121.006)
Provision for contractual disputes	(5.000)	-
Other provisions	(239.060)	(102.998)
	(244.060)	**(224.004)**

The item “Provision for contractual disputes” relates entirely to the allocation made by Miva S.r.l..
The item “Other provisions” refers mainly to the effect of the allocations made by companies in the Nursing Home sector for EUR 46,6 thousand, Balder S.r.l. for EUR 1 thousand, IMC S.p.A. for EUR 141 thousand, Sport Fashion Service S.r.l. for EUR 40 thousand and Mittel Advisory S.r.l. in liquidation for EUR 10,4 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:

	31.12.2019	31.12.2018
Pro-rata profits		
Superpartes S.p.A.	53.171	
Mit-Fin S.p.A.	-	156.720
	53.171	**156.720**
Pro-rata losses		
Superpartes S.p.A.		(2.915)
Mit-Fin S.p.A.	(45.771)	
Bios S.p.A.		(821.561)
	(45.771)	**(824.476)**
	7.400	**(667.756)**

42. Financial income

The item is composed as follows:

	31.12.2019	31.12.2018
Bank interest income	231.549	661.474
Interest income on financial receivables	1.841.086	3.341.528
Other interest income	99.084	108.587
Other financial income	10.140	21.677
Exchange rate gains	25.650	10.103
	2.207.509	**4.143.369**

Interest income on financial receivables relates entirely for EUR 1,8 million (EUR 2,3 million in the previous year) to the contribution of the Parent Company Mittel S.p.A. for loans outstanding.

43. Financial expenses

The item is composed as follows:

	31.12.2019	31.12.2018
Interest expense on bonds	(6.398.955)	(7.819.369)
Interest expense on bank current accounts	(56.934)	(137.588)
Interest expense on bank loans	(1.101.844)	(719.007)
Interest expense on other loans	(665.239)	(1.059.849)
Other interest expenses	(5.548.304)	(344.626)
Other financial expenses	(621.368)	(6.181.538)
Exchange rate losses	(33.486)	(26.142)
	(14.426.130)	**(16.288.119)**

The “Interest expense on bonds” item includes only the interest expense on bonds issued by Mittel S.p.A. for the entire year.
The main contribution to the item “Interest expense on bank loans” is from companies in the Nursing Home sector for EUR 0,7 million, companies in the Design sector for EUR 0,3 million and Sport Fashion Service S.r.l. for EUR 0,1 million.
IMC S.p.A. was the main contributor to the item “Interest expense on other loans”, for EUR 0,6 million.
The item other interest expense is composed of contributions from companies in the Nursing Home sector (EUR 4,7 million, of which EUR 4,7 million for rights of use), IMC S.p.A. for EUR 0,6 million (of which EUR 0,4 million for rights of use), Ceramica Cielo S.p.A. for EUR 69,1 thousand (of which interest of EUR 37 thousand for rights of use), the parent company Mittel S.p.A. for EUR 63,7 thousand (of which interest of EUR 50 thousand for rights of use), Sport Fashion Service S.r.l. for EUR 11,3 thousand (of which interest of EUR 10,9 thousand for rights of use), Disegno Ceramica S.r.l. for EUR 6,7 thousand (of which interest of EUR 6,6 thousand for rights of use), Galassia S.r.l. for EUR 5,4 thousand (of which interest of EUR 0,8 thousand for rights of use), Mittel Immobiliare Investimenti S.r.l. for EUR 1,9 thousand and Balder S.r.l. for EUR 1,1 thousand.

The other financial expenses refer mainly for EUR 0,2 million to the companies in the Nursing Home Sector, for EUR 0,2 million to Disegno Ceramica S.r.l. and for EUR 0,1 million to IMC S.p.A..

44. Dividends

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

	31.12.2019	31.12.2018
Dividends from financial assets	182.525	182.525
Dividends from investments	-	32.053
	182.525	**214.578**

The item “Dividends” is entirely attributable to Mittel S.p.A. In particular, dividends from financial assets refer mainly to the distributions carried out in the period by 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:

	31.12.2019	31.12.2018
Financial assets		
Other income	-	265.589
Other	18.194	-
Capital gains (losses) from transfer of receivables	**150**	**-**
Capital gains (losses) from transfer of investments	**80.385**	**8.523.109**
	98.729	**8.788.698**

The item “Capital gains from transfer of investments” consists mainly 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 and receivables

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

	31.12.2019	31.12.2018
Write-downs on financial receivables	290.326	(3.961.031)
Write-downs on other receivables	(286.255)	(227.928)
Write-downs on financial assets	(1.482.214)	(2.135.862)
Reversals of impairment losses on financial assets	113.648	1.624.057
	(1.364.495)	**(4.700.763)**

Write-downs of financial receivables refer to the contribution from Mittel S.p.A., while the write-downs of other receivables refer primarily to the contribution from companies in the Design Sector for EUR 0,1 million and companies in the Nursing Home sector for EUR 0,1 million.

Write-downs of financial assets are primarily attributable to value adjustments recognised by the Parent Company Mittel (EUR 1,47 million) for Fondo Augusto (EUR 0,8 million) and Fondo Cosimo (EUR 0,7 million), as well as EUR 16 thousand for value adjustments recorded by Earchimede S.p.A. with reference to Investitori Associati II S.A..
The item “Reversals of impairment losses on financial assets” refers exclusively to the recovery recognised by Earchimede S.p.A., on Equinox Two and Opera 2 Partecipations S.C.A...

47. Income taxes

The amount is composed as follows:

	31.12.2019	31.12.2018
IRES (corporate income tax)	26.068	(127.098)
IRAP (regional business tax)	(2.074.341)	(1.055.961)
Taxes of previous years	33.646	290.174
Total current taxes	**(2.014.627)**	**(892.885)**
Deferred tax liabilities	1.818.619	4.716.375
Deferred tax assets	4.334.352	4.022.439
Total deferred taxes	**6.152.971**	**8.738.814**
Other taxes	-	-
Total income taxes	**4.138.344**	**7.845.929**

48. Profit (loss) pertaining to non-controlling interests

The item is composed as follows:

	31.12.2019	31.12.2018
Profit (loss) of non-controlling interests	(196.755)	984.678
	(196.755)	**984.678**

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 31 December 2019, compared with the previous year, are as follows:

Earnings/(loss) per share attributable to the Parent Company (in Euro)	**31.12.2019**	**31.12.2018**
From income statement:		
- Basic	0,005	0,017
- Diluted	0,005	0,017
From comprehensive income:		
- Basic	0,002	(0,022)
- Diluted	0,002	(0,022)

Basic earnings or loss per share

During the period ended 31 December 2019, the number of shares outstanding changed as follows:

Number of shares	**31.12.2019**	**31.12.2018**
(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	4.421.024	3.748.684
Potential dilution of ordinary shares		
Average weighted number of shares outstanding at the end of the period	**85.768.392**	**79.298.299**

The consolidated basic earnings or loss per share attributable to the Parent Company as at 31 December 2019, compared with the previous year, are as follows:

EUR		
Net profit/(loss) attributable to the Parent Company	**450.118**	**1.323.622**

EUR		
Basic earnings/(loss) per share attributable to the Parent Company	**0,005**	**0,017**

The consolidated comprehensive basic earnings or loss per share attributable to the Parent Company as at 31 December 2019, compared with the previous year, are as follows:

EUR		
Total comprehensive net profit/(loss) attributable to the Parent Company	**181.624**	**(1.774.854)**

EUR		
Total comprehensive basic earnings/(loss) per share attributable to the Parent Company	**0,002**	**(0,022)**

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 31 December 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 Mittel S.p.A.'s management.
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 as at 31 December 2019, compared with the previous year, is as follows.

Diluted earnings or loss per share	31.12.2019	31.12.2018
(no. ordinary shares)		
Average weighted number of shares outstanding at the end of the period	85.768.392	79.298.299
plus shares required for:		
- SARs plan	183.608	315.927
Potential dilution of ordinary shares	183.608	315.927
Average weighted number of shares at the end of the period	**85.952.000**	**79.614.226**

EUR		
Net profit/(loss) attributable to the Parent Company	450.118	1.323.622
Effect of subscriptions of potential new shares	-	-
Net profit/(loss) available to ordinary shareholders plus expected subscriptions	**450.118**	**1.323.622**
EUR		
Diluted earnings or loss per share	**0,005**	**0,017**

The values of comprehensive income per diluted share are equal to the income per basic share (however, negative comprehensive income in 2018 and the effect of SARs would not be considered as it had a counter-dilutive effect).

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 31 December 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 31 December 2019 was negative for EUR 251,9 million (negative for EUR 29,5 million as at 31 December 2018), as shown in the table below:

(Thousands of Euro)	31.12.2019	31.12.2018	Variation
Cash	103	224	(121)
Other cash and cash equivalents	173.062	223.598	(50.536)
Securities held for trading	-	-	-
Current liquidity	**173.165**	**223.822**	**(50.657)**
Current financial receivables	**25**	**-**	**25**
Current bank payables	(6.391)	(755)	(5.636)
Current portion of medium/long-term bank loans	(7.108)	(8.776)	1.667
Bonds	(2.089)	(44.844)	42.755
Other financial payables	(12.290)	(14.339)	2.049
- of which IFRS 16 financial liabilities	(5.273)		
Current financial debt	**(27.878)**	**(68.713)**	**40.835**
Net current financial debt	**145.313**	**155.109**	**(9.796)**
Non-current bank payables	(58.306)	(47.084)	(11.221)
- Bank loans and borrowings expiring in the medium-term	(58.306)	(47.084)	(11.221)
- Bank loans and borrowings expiring in the long-term	-	-	-
Bonds issued	(129.308)	(129.256)	(52)
Other financial payables	(209.629)	(8.288)	(201.341)
- of which IFRS 16 financial liabilities	*(200.909)*		
Non-current financial debt	**(397.242)**	**(184.628)**	**(212.615)**
Net financial position	**(251.930)**	**(29.519)**	**(222.411)**

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 31 December 2019, the guarantees given can be summarised in the following table:

	31.12.2019	31.12.2018
Guarantees:		
financial	-	-
commercial	9.929.300	11.006.435
assets pledged as collateral	-	15.800.776
Commitments:		
disbursement of funds	4.347.332	4.347.332
other irrevocable commitments	-	-
	14.276.632	**31.154.543**

Commercial guarantees refer to (i) EUR 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 1,4 million on its own account, and EUR 4,6 million on behalf of Group companies, (ii) EUR 3,7 million for the contribution from the Real Estate sector and consists of sureties for primary urbanisation works requested by the Municipality of Milan (EUR 0,7 million), the Municipality of Como (EUR 3,0 million); (iii) for EUR 0,2 million to the contribution of Disegno Ceramica S.r.l. and for EUR 0,1 million to the contribution of Galassia S.r.l..

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 year closed as at 31 December 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 at arm's length and refer to:

	Directors, Statutory auditors and internal committees	Associates	Other related parties	Total
Non-current assets				
Financial receivables	-	3.249.684	-	**3.249.684**
Current assets				
Sundry receivables and other assets	-	1.344	-	**1.344**
Current liabilities				
Sundry payables and other liabilities	598.129	-	-	**598.129**
Income statement				
Revenue	-	65.715	-	**65.715**
Other income	-	50.000	442.302	**492.302**
Costs for purchases	-	-	-	**-**
Costs for services	(821.527)	-	(394.005)	**(1.215.532)**
Personnel costs	(689.943)	(22.194)	-	**(712.137)**
Financial income	-	375.351	-	**375.351**

- Non-current financial receivables refer to the loan granted by Mittel S.p.A. to Mittel Generale Investimenti S.r.l. for EUR 3,2 million.

- 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 470 thousand) and statutory auditors (EUR 128 thousand) for fees accrued but still to be paid.

- The items "Revenue" and "Other income" refer, respectively, to the chargeback of administrative services and direct debit services provided to third parties that are considered related parties (associates) and the capital gain realised on the sale of the property in Piazza Diaz, in respect of which reference should be made to the report on operations.

- The item "Costs for services due to directors, statutory auditors and internal committees" refers to EUR 0,7 million in Directors' fees and EUR 0,1 million in fees to the Board of Statutory Auditors. 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 term; the item costs for services to other related parties relates to advisory services received by Studio Legale Pavia e Ansaldo and the partnership with Gruppo Edile Milanese S.r.l.; for more details, please refer to the comprehensive information in the report on operations.

- 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 0,4 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 uses 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 31 December 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):

	31 December 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	-	13.604	2.757	-	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	**-**	**13.604**	**2.757**	**-**	**14.622**	**3.243**
Other financial liabilities:						
Hedging derivatives	-	-	253	-	-	210
Other financial liabilities	-	-	6.368	-	-	13.200
Total liabilities	**-**	**-**	**6.621**	**-**	**-**	**13.410**

Completing the analyses required by IFRS 13, the types of financial instruments contained in the financial statement items as at 31 December 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.

Situation as at 31 December 2019

(amounts in EUR)

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:		Total Fair Value	Fair Value Hierarchy			Financial instruments at amortised cost	Financial statements total as at 31 December 2019	Fair value as at 31 December 2019
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Level 1	Level 2	Level 3	(B)	(A+B)	
ASSETS									
Other non-current financial assets (a)	16.360.952	-	**16.360.952**	-	13.603.527	2.757.425	**-**	**16.360.952**	16.360.952
Non-current financial receivables (b)	-	-	**-**	-	-	-	**33.459.672**	**33.459.672**	33.459.672
Other receivables and financial assets (*) (b)	-	-	**-**	-	-	-	**604.030**	**604.030**	604.030
Other assets (*)	-	-	**-**	-	-	-	**93.583**	**93.583**	93.583
Current financial receivables (b)	-	-	**-**	-	-	-	**25.200**	**25.200**	25.200
Trade receivables (*) (b)	-	-	**-**	-	-	-	**41.212.616**	**41.212.616**	41.212.616
Current sundry receivables (*) (b)	-	-	**-**	-	-	-	**2.597.919**	**2.597.919**	2.597.919
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**173.165.262**	**173.165.262**	173.165.262
	16.360.952	**-**	**16.360.952**	**-**	**13.603.527**	**2.757.425**	**251.158.282**	**267.519.234**	267.519.234
LIABILITIES									
Bonds (current and non-current) (b)	-	-	**-**	-	-	-	**131.397.075**	**131.397.075**	133.413.111
Financial payables (current and non-current) (*) (b)	-	-	**-**	-	-	-	**281.396.682**	**281.396.682**	281.396.682
Financial payables (b)	-	-	**-**	-	-	-	**-**	**-**	-
Other financial liabilities (c)	6.368.374	253.197	**-**	-	-	-	**5.705.000**	**12.326.571**	6.621.571
Trade payables (*) (b)	-	-	**-**	-	-	-	**35.934.003**	**35.934.003**	35.934.003
Sundry payables (*) (b)	-	-	**-**	-	-	-	**7.469.241**	**7.469.241**	7.469.241
	6.368.374	**253.197**	**-**	**-**	**-**	**-**	**461.902.001**	**468.523.572**	464.834.608

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.

Situation as at 31 December 2018

(amounts in EUR)

Types of financial instruments	Financial instruments at fair value								
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy			Financial instruments at amortised cost	Financial statements total as at 31 December 2018	Fair value as at 31 December 2018
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Level 1	Level 2	Level 3	(B)	(A+B)	
ASSETS									
Other non-current financial assets (a) (c)	17.864.891	-	**17.864.891**	-	14.622.117	3.242.774	**-**	**17.864.891**	17.864.891
Non-current financial receivables (b)	-	-	**-**	-	-	-	**45.800.456**	**45.800.456**	45.800.456
Non-current sundry receivables (*)	-	-	**-**	-	-	-	**754.772**	**754.772**	754.772
Trade receivables (*)	-	-	**-**	-	-	-	**16.824.957**	**16.824.957**	16.824.957
Current sundry receivables (*)	-	-	**-**	-	-	-	**2.277.386**	**2.277.386**	2.277.386
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**223.822.291**	**223.822.291**	223.822.291
	17.864.891	**-**	**17.864.891**	**-**	**14.622.117**	**3.242.774**	**289.479.862**	**307.344.753**	307.344.753
LIABILITIES									
Bonds (current and non-current) (b)	-	-	**-**	-	-	-	**174.100.027**	**174.100.027**	173.036.689
Financial payables (current and non-current) (b)	-	-	**-**	-	-	-	**65.830.732**	**65.830.732**	65.830.732
Other financial liabilities (current and non-current) (c)	13.200.000	210.248	**-**	-	210.248	13.200.000	**-**	**13.410.248**	13.410.248
Trade payables (*) (b)	-	-	**-**	-	-	-	**17.408.450**	**17.408.450**	17.408.450
Sundry payables (current and non-current) (*) (b)	-	-	**-**	-	-	-	**3.309.407**	**3.309.407**	3.309.407
	13.200.000	**210.248**	**-**	**-**	**-**	**-**	**260.648.616**	**274.058.864**	272.995.526

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 31 December 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	Financial liabilities
As at 31 December 2018	**3.243**	**210**
(Profit)/losses recognised in the income statement	65	
(Profit) losses recognised in other comprehensive income		-
Purchases/Issues/Disposals/Extinguishments	(551)	43
As at 31 December 2019	**2.757**	**253**

Financial assets measured at fair value level 3 mainly include EUR 0,7 million for Equinox Two (EUR 1,3 million at 31 December 2018), EUR 1,4 million for SIA-SSB S.p.A. (EUR 1,4 million at 31 December 2018), and EUR 0,4 million for Medinvest International S.A. (EUR 0,4 million 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 31 December 2019	Loans and receivables	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through valuation reserve	Book value
Non-current financial assets:				
Investments	-	16.360.952	-	**16.360.952**
Bonds	-	-	-	**-**
Other financial assets	-	-	-	**-**
Non-current receivables:				**-**
Financial receivables	33.459.672	-	-	**33.459.672**
Sundry receivables	898.056	-	-	**898.056**
Receivables due from related parties	-	-		**-**
Receivables due from customers and other current commercial assets:				
Sundry receivables and other assets	50.200.403	-	-	**50.200.403**
Current financial assets:				
Financial receivables	-	-	-	**-**
Sundry receivables	25.200	-	-	**25.200**
Other financial assets	-	-	-	**-**
Hedging derivatives	-	-	-	**-**
Non-hedging derivatives	-	-	-	**-**
Cash and cash equivalents				
Bank and postal deposits	173.061.829	-	-	**173.061.829**
TOTAL FINANCIAL ASSETS	**257.645.160**	**16.360.952**	**-**	**274.006.112**

Financial assets as at 31 December 2018	IFRS 9 CATEGORIES			
	Loans and receivables	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through valuation reserve	Book value
Non-current financial assets:				
Investments	-	17.864.891		**17.864.891**
Bonds	-	-	-	**-**
Other financial assets	-	-	-	**-**
Non-current receivables:				
Financial receivables	45.800.456	-	-	**45.800.456**
Sundry receivables	754.772	-	-	**754.772**
Receivables due from customers and other current commercial assets:				
Sundry receivables and other assets	19.102.343	-	-	**19.102.343**
Current financial assets:				
Financial receivables	-			**-**
Other financial assets		-	-	**-**
Hedging derivatives	-	-	-	**-**
Non-hedging derivatives	-	-	-	**-**
Cash and cash equivalents				
Bank and postal deposits	223.822.291	-	-	**223.822.291**
TOTAL FINANCIAL ASSETS	**289.479.862**	**17.864.891**	**-**	**307.344.753**

Note that the table also includes the items sundry receivables and other assets and sundry payables and other liabilities.

Financial liabilities as at 31 December 2019	IAS 39 CATEGORIES		
	Financial instruments at fair value	Liabilities at amortised cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	58.305.762	**58.305.762**
Other financial liabilities	-	202.838.133	**202.838.133**
Sundry payables and other liabilities	-	827.339	**827.339**
Bonds	-	129.307.985	**129.307.985**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	19.420.424	**19.420.424**
Other financial liabilities	6.368.374	-	**6.368.374**
Trade payables	-	35.934.003	**35.934.003**
Sundry payables	-	5.672.664	**5.672.664**
Bonds	-	2.089.090	**2.089.090**
Other financial liabilities:			
Hedging derivatives	253.197	-	**253.197**
Non-hedging derivatives	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**6.621.571**	**454.395.400**	**461.016.971**

Financial liabilities as at 31 December 2018	IFRS 9 CATEGORIES		
	Financial instruments at fair value	Liabilities at amortised cost	Book value
Non-current payables and liabilities:			
Loans and borrowings from banks and other lenders	-	55.161.752	**55.161.752**
Sundry payables and other liabilities	-	154.958	**154.958**
Bonds	-	129.255.667	**129.255.667**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	10.668.980	**10.668.980**
Other financial liabilities	13.200.000	-	**13.200.000**
Trade payables	-	17.408.450	**17.408.450**
Sundry payables	-	3.154.449	**3.154.449**
Bonds	-	44.844.360	**44.844.360**
Other financial liabilities:			
Hedging derivatives	210.248	-	**210.248**
Non-hedging derivatives	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**13.410.248**	**260.648.616**	**274.058.864**

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 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’s financial receivables for the year ended at 31 December 2018 and the prior year.

Type of exposures/amounts	Gross exposure	Specific value adjustments	Net exposure
Total as at 31 December 2019	**62.922.399**	**(29.462.727)**	**33.459.672**
Total as at 31 December 2018	**76.723.543**	**(30.923.087)**	**45.800.456**

The table below shows the details of trade receivables as at 31 December 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"):

Amounts in Euro

	31.12.2019		
	Nominal value	Write-downs	Net value
Falling due	35.072.969	-	35.072.969
0-180 days	2.906.667	(2.360)	2.904.307
180-360 days	1.830.371	(1.234.017)	596.354
More than 360 days	4.136.186	(3.463.270)	672.916
	43.946.193	**(4.699.647)**	**39.246.546**

The figures relating to the financial statements closed as at 31 December 2018 are provided below:

Amounts in Euro

	31.12.2018		
	Nominal value	Write-downs	Net value
Falling due	14.445.721	-	14.445.721
0-180 days	1.660.505	(26.674)	1.633.831
180-360 days	78.245	-	78.245
More than 360 days	4.596.224	(3.929.064)	667.160
	20.780.695	**(3.955.738)**	**16.824.957**

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 173.165 thousand (EUR 233.822 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 31 December 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 31 December 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:

	31.12.2019	31.12.2018
Financial guarantees issued	-	15.800.776
Commercial guarantees issued	9.929.300	11.006.435
Irrevocable commitments to disburse funds	4.347.332	4.347.332
Commitments underlying credit derivatives	-	-
Other irrevocable commitments	-	-
	14.276.632	**31.154.543**

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

Amounts in thousands of Euro

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	-	-	3.534	25.841	-	4.085	33.460
Current financial receivables	25	-	-	-	-	-	25
Available-for-sale financial assets	-	-	-	-	-	-	-
Financial assets at fair value	-	-	-	-	-	-	-
	25	**-**	**3.534**	**25.841**	**-**	**4.085**	**33.485**
Liabilities							
Non-current bank loans	-	-	48.813	9.493	-	-	58.306
Current bank loans	-	13.499	-	-	-	-	13.499
Other non-current financial payables	-	-	332	-	1.929	500	2.761
Other current financial payables	-	648	-	-	-	-	648
Non-current financial payables for rights of use DO NOT DETAIL	-	-	-	-	-	-	-
Current financial payables for rights of use DO NOT DETAIL	-	-	-	-	-	-	-
Bonds	2.089	-	-	129.308	-	-	131.397
	2.089	**14.147**	**49.145**	**138.801**	**1.929**	**500**	**206.611**
Financial derivatives							
Hedging derivatives	-	-	253	-	-	-	253
Trading derivatives	-	-	-	-	-	-	-
	-	**-**	**253**	**-**	**-**	**-**	**253**
	(2.064)	**(14.147)**	**(45.864)**	**(112.960)**	**(1.929)**	**3.585**	**(173.379)**

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

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 31 December 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 31 December 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	31 December 2019		
	Fixed rate	Variable rate	Total
Bank loans		71.805	**71.805**
Bonds	131.397		**131.397**
Other financial liabilities	-	3.410	**3.410**
Total	**131.397**	**75.215**	**206.612**

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	31 December 2019		
	Fixed rate	Variable rate	Total
Financial receivables	3.885	29.600	**33.485**
Other financial assets	-	-	**-**
Total	**3.885**	**29.600**	**33.485**

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

	31 December 2019		31 December 2018	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Deposits and cash	173.165	0,12%	223.822	0,35%
Other financial receivables	33.485	4,92%	45.800	5,22%
Total	**206.650**	**0,92%**	**269.622**	**1,58%**

Amounts in thousands of Euro

	31 December 2019		31 December 2018	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Bank loans	71.805	1,83%	55.162	1,14%
Bonds	131.397	3,69%	174.100	4,43%
Other financial liabilities	3.410	0,00%	-	
Total	**206.612**	**3,12%**	**229.262**	**3,54%**

Currency risk – Sensitivity analysis

As at 31 December 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	13.499	48.813	9.493	-	71.805
Other loans	648	332	-	1.929	2.909
Bonds	4.847	4.847	4.847	131.965	146.506
Derivative financial instruments	-	-	-	-	-
Total	**18.994**	**53.992**	**14.340**	**133.894**	**221.220**

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 (i.e. Snia S.p.A. in Amministrazione Straordinaria (under extraordinary administration)) are described in the Report on Operations, under the paragraph "Main ongoing legal proceedings".

55. Publishing of the fees for auditing and other non-auditing services pursuant to Consob Issuers' Regulation, art. 149-duodecies

Pursuant to art. 149-duodecies of Consob Issuers' Regulation, the table below provides information on the fees paid to the independent auditors KPMG S.p.A. and to companies in the KPMG network for the following services:

1) Audit services including:
   • audit of the annual accounts with a view to expressing a professional opinion;
   • limited review of interim accounts.

2) Attestation services, which include assignments for which the auditor assesses a specific element, the determination of which is performed by another entity responsible, by adopting suitable criteria, for expressing conclusions that provide the addressee with a degree of reliability in relation to that specific element.

3) Tax advisory services.

4) Other services.

The fees indicated in the table for the year 2019 are those contractually agreed, including any indexing (except for out-of-pocket expenses, any regulatory contributions and VAT).

In accordance with the legal provision mentioned, fees recognised to any secondary auditors or members of the respective networks are not included.

Type of services	**Party that provided service**		**Recipient**	**Fees (in EUR/000)**
	Independent Auditors	**Other entities belonging to the network**		
Accounting audit	KPMG S.p.A.		Mittel S.p.A.	154
Attestation services*	KPMG S.p.A.		Mittel S.p.A.	19
Tax advisory services				
Other services - Signing of tax declarations	KPMG S.p.A.		Mittel S.p.A.	4
Total				**177**

(*) Attestation for financial covenants - Attestation for tax declarations - Limited audit for non-financial statement

Type of services	**Party that provided service**		**Recipient**	**Fees (in EUR/000)**
	Independent Auditors	**Other entities belonging to the network**		
Accounting audit	KPMG S.p.A.		Other Mittel Group companies	155
Attestation services*	KPMG S.p.A.		Other Mittel Group companies	47
Tax advisory services				
Other services - Signing of tax declarations	KPMG S.p.A.		Other Mittel Group companies	10
Total				**212**

(*) Attestation for tax declarations - Galassia Merger - Research and Development Cred.

Milan, 29 April 2020

for the Board of Directors

The Chairman

(Michele Iori)

Annexes and supplementary statements

List of equity investments

	Registered office		Share capital	Nominal value	% Interest	% Availability of votes in shareholders' meeting	Business performed	€/000 Book value	End of the year	€/000 Statement of financial position assets	€/000 Statement of financial position liabilities	€/000 Equity	€/000 Profit (loss) for the last year	€/000 Revenue
Investments														
Direct														
Mittel Generale Investimenti S.r.l.	Milan - Italy	EUR	17.000.000	1	27,00	27,00	Investment Holding	5.400	31 December	40.206	18.582	21.624	(924)	2.117
Mit.Fin S.p.A.	Milan - Italy	EUR	200.000	1	30,00	30,00	Financial	201	31 December	1.414	592	822	524	3.339
Indirect														
Superpartes S.p.A.	Brescia - Italy	EUR	331.383		11,89	11,89	Technology	512	31 December	1.104	270	834	(125)	544
Total								**6.113**						

Statement on the consolidated financial statements 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 Group's characteristics and were effectively applied to prepare the consolidated financial statements as at 31 December 2019.

It is also certified that the consolidated financial statements for the year ended as at 31 December 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 Directors' Report on Operations includes a reliable analysis of the business performance and profit (loss), as well as the position of the issuer and the set of consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 29 April 2020

Director in charge of the risk management and internal control system

Anna Francesca Cremascoli

Manager in charge of financial reporting

Pietro Santicoli

Independent Auditors' Report

Bilancio separato

Separate Financial Statements

MITTEL

Separate financial statements as at 31 December 2019

Statement of Financial Position (*)

Amounts in Euro

	Notes	31.12.2019	31.12.2018
Non-current assets			
Intangible assets	4	17.003	40.646
Property, plant and equipment	5	6.116.923	3.265.955
- of which IFRS 16 rights of use		*5.612.010*	-
Investments	6	81.294.977	57.230.000
Financial receivables	7	56.256.725	60.428.120
Other financial assets	8	13.853.109	15.558.528
Sundry receivables and other assets	9	160.103	160.467
Deferred tax assets	10	6.022.408	4.001.493
Total non-current assets		**163.721.248**	**140.685.209**
Current assets			
Financial receivables	11	48.692.502	71.411.024
Current tax assets	12	575.069	4.430.784
Sundry receivables and other assets	13	7.428.751	9.829.909
Cash and cash equivalents	14	137.807.344	161.573.502
Total current assets		**194.503.666**	**247.245.219**
Total assets		**358.224.914**	**387.930.428**
Equity			
Share capital		87.907.017	87.907.017
Share premium		53.716.218	53.716.218
Treasury shares		-	(10.922.557)
Reserves		63.624.236	31.234.671
Profit (loss) for the year		9.204.063	43.323.501
Total equity	15	**214.451.534**	**205.258.850**
Non-current liabilities			
Bonds	16	129.307.985	129.255.667
Financial payables	17	5.544.135	-
- of which IFRS 16 financial liabilities		*5.544.135*	-
Provisions for personnel	18	1.069.661	881.469
Deferred tax liabilities	19	22.467	22.467
Provisions for risks and charges	20	376.790	529.246
Total non-current liabilities		**136.321.038**	**130.688.849**
Current liabilities			
Bonds	21	2.089.090	44.844.360
Financial payables	22	133.602	91.981
- of which IFRS 16 financial liabilities		*133.602*	-
Sundry payables and other liabilities	23	5.229.650	7.046.388
Total current liabilities		**7.452.342**	**51.982.729**
Total equity and liabilities		**358.224.914**	**387.930.428**

(*) Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the statement of financial position of Mittel S.p.A. are outlined in the appropriate statement of financial position table shown in the following pages and are described not only in the comments on the individual financial statement items but also in the explanatory notes to these financial statements, to which reference should be made.

Income Statement (*)

Amounts in Euro

		31.12.2019	31.12.2018
Revenue	24	530.821	590.096
Other income	25	4.172.042	836.283
Costs for services	26	(2.048.789)	(4.681.725)
Personnel costs	27	(3.123.440)	(3.138.310)
Other costs	28	(806.436)	(1.118.931)
Dividends	29	19.496.821	47.924.528
Profit (loss) from management of financial assets and investments	30	-	6.215.245
Amortisation and value adjustments to intangible assets	31	(341.892)	(192.276)
Allocations to the provision for risks	32	-	(143.276)
Operating result (EBIT)		**17.879.127**	**46.291.634**
Financial income	33	2.583.130	5.916.247
Financial expenses	34	(6.505.049)	(8.072.043)
Value adjustments to financial assets and receivables	35	(874.768)	(5.652.794)
Value adjustments on investments	36	(8.414.250)	(3.000.000)
Profit (loss) before taxes		**4.668.190**	**35.483.044**
Income taxes	37	4.535.873	7.840.457
Profit (loss) for the year		**9.204.063**	**43.323.501**

Profit (loss) per share (in Euro)	38		
- Basic		0,107	0,546
- Diluted		0,107	0,546

(*) Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of transactions with related parties on the consolidated income statement of Mittel S.p.A. are outlined in the appropriate income statement table shown in the following pages 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.

Statement of Comprehensive Income

	Notes	01.01.2019 31.12.2019	01.01.2018 31.12.2018
Profit/(loss) for the year (A)		**9.204.063**	**43.323.501**
Other comprehensive profits/(losses) which are not subsequently reclassified to profit/(loss) for the period:			
Profits/(losses) from remeasurement of defined benefit plans		(67.604)	(36.767)
Tax effect relating to other profits/(losses)		-	-
Total other comprehensive profits/(losses) which are not subsequently reclassified to profit/(loss) for the period, net of taxes (B.1)		(67.604)	(36.767)
Other comprehensive profits/(losses) which are subsequently reclassified to profit/(loss) for the period:			
Profits/(losses) from recalculation of financial assets	15	-	(638.211)
Profits/(losses) from the sale of financial assets	15	-	-
Release to the income statement of losses for fair value impairment on financial assets	15	-	-
Tax effect relating to other profits/(losses)	15	-	22.467
Total other comprehensive profits/(losses) which are subsequently reclassified to profit/(loss) for the period, net of taxes (B.2)		**-**	**(615.744)**
Total other comprehensive income/(losses), net of taxes (B)=(B.1)+(B.2)		**(67.604)**	**(652.511)**
Total comprehensive profit/(loss) (A) + (B)		**9.136.459**	**42.670.990**

Statement of Changes in Equity for the year ended as at 31 December 2019

Amounts in Euro

	Share capital	Treasury shares	Capital reserves	Profit reserves	Reserve from remeasurement of defined benefit plans	Reserve from available-for-sale financial assets	Total
Balance as at 1 January 2018	**87.907.017**	**(20.576.471)**	**53.716.218**	**41.118.741**	**(105.089)**	**-**	**162.060.417**
Share capital increases	-	-	-	-	-	-	**-**
Merger transactions	-	-	-	-	-	-	**-**
Sale of treasury shares	-	-	-	-	-	-	**-**
Purchase of treasury shares	-	-	-	-	-	-	**-**
Other changes (SARs)	-	-	-	(88.300)	- -	-	**(88.300)**
Dividends distributed		9.653.914	-	(9.653.914)	-	-	**-**
Total comprehensive profit/(loss)		-		43.323.501	(36.767)		**43.286.734**
	-	-	-	-			
Balance as at 31 December 2018	**87.907.017**	**(10.922.557)**	**53.716.218**	**74.700.028**	**(141.856)**	**-**	**205.258.850**
Balance as at 1 January 2019	**87.907.017**	**(10.922.557)**	**53.716.218**	**74.700.028**	**(141.856)**	**-**	**205.258.850**
Share capital increases	-	-	-	-	-	-	**-**
Merger transactions	-	-	-	-	-	-	**-**
Sale of treasury shares	-	10.922.557	-	(10.922.557)	-	-	**-**
Purchase of treasury shares	-	-	-	-	-	-	**-**
Other changes (SARs)	-	-	-	57.020	-	-	**57.020**
Dividends distributed	-	-	-	-	-	-	**-**
Total comprehensive profit/(loss)	-	-	-	9.204.063	(67.604)	-	**9.136.459**
Balance as at 31 December 2019	**87.907.017**	**-**	**53.716.218**	**73.038.554**	**(209.460)**	**-**	**214.452.329**

Cash Flow Statement

Valori in euro	Note	31.12.2019	31.12.2018
ATTIVITA' OPERATIVA			
Risultato netto dell'esercizio		**9.204.063**	**43.323.501**
Rettifiche per riconciliare il risultato netto con i flussi monetari generati (utilizzati) dall'attività operativa:			
Imposte correnti		(2.515.292)	(3.840.457)
Imposte differite		(2.020.581)	(4.000.000)
Ammortamenti materiali		336.370	163.429
Ammortamenti immateriali		5.522	28.847
Dividendi ricevuti		(19.496.821)	(47.924.528)
Proventi finanziari		(2.583.130)	(5.916.247)
Oneri finanziari		6.505.049	8.072.029
Accantonamenti a fondi per rischi ed oneri		-	143.276
Accantonamenti per trattamento di fine rapporto		98.266	95.585
Oneri per piano di incentivazione con opzione di regolamento tramite strumenti di capitale		57.020	111.700
Altri (proventi)/oneri netti non operativi/monetari		(3.543.457)	162.500
Svalutazioni (riprese di valore) su crediti		(591.462)	4.183.191
(Utili)/Perdite su crediti		-	-
(Plusvalenze) Minusvalenze da cessioni di partecipazioni e attività finanziarie		-	(6.215.245)
Svalutazioni (riprese di valore) su attività finanziarie		1.466.230	1.469.603
Svalutazioni (riprese di valore) su partecipazioni		8.414.250	3.000.000
(Utili)/Perdite dalla negoziazione di attività finanziarie		-	-
Flussi di cassa dell'attività operativa prima delle variazioni di capitale circolante		**(4.663.973)**	**(7.142.816)**
(Incremento)/Decremento nei crediti diversi e nelle altre attività correnti		10.959.580	6.207.246
Incremento/(Decremento) nei debiti diversi e nelle altre passività correnti		(4.159.455)	(1.759.577)
Disponibilità liquide generate (assorbite) dall'attività operativa		**2.136.152**	**(2.695.147)**
Utilizzi di accantonamenti per rischi ed oneri		(152.456)	(546.800)
Liquidazioni del trattamento di fine rapporto		8.659	(37.451)
(A) FLUSSO DI CASSA GENERATO (ASSORBITO) DALL'ATTIVITA' OPERATIVA		**1.992.355**	**(3.279.398)**
ATTIVITA' DI INVESTIMENTO			
Dividendi ricevuti su partecipazioni		19.314.296	47.709.950
Dividendi ricevuti su attività finanziarie		182.525	214.578
Investimenti in:			
Partecipazioni		-	-
Altre attività finanziarie		-	-
Attività materiali e immateriali		(576.206)	(41.471)
Diritti d'uso IFRS 16		(5.365.290)	-
Realizzo dalla dismissione di:			
Partecipazioni		(32.479.227)	2.525.741
Altre attività finanziarie		239.189	2.156.682
Strumenti finanziari di negoziazione		-	-
Altre attività non correnti (attività materiali, immateriali e altre)		6.718.121	-
(Incremento) decremento dei crediti finanziari		28.688.611	4.439.161
Interessi percepiti		1.375.898	4.782.859
(B) FLUSSO DI CASSA NETTO GENERATO (ASSORBITO) PER LE ATTIVITA' DI INVESTIMENTO		**18.097.917**	**61.787.500**
ATTIVITA' FINANZIARIA			
Incremento (decremento) dei debiti verso banche ed altri finanziatori		(91.981)	(11.788.301)
Incremento dei debiti per locazioni IFRS 16		5.429.889	
Emissione (rimborso) prestiti obbligazionari		(41.740.665)	(2.689.973)
Interessi corrisposti		(7.453.673)	(7.367.609)
Acquisto azioni proprie		-	-
Cessioni di azioni proprie		-	-
Variazione nelle passività finanziarie		-	-
Pagamento dividendi		-	-
Versamenti di capitale		-	-
(C) FLUSSO DI CASSA NETTO GENERATO (ASSORBITO) PER LE ATTIVITA' FINANZIARIE		**(43.856.430)**	**(21.845.883)**
INCREMENTO / (DECREMENTO) NETTO DELLE DISPONIBILITA' LIQUIDE E MEZZI EQUIVALENTI (D = A+B+C)		**(23.766.158)**	**36.662.219**
DISPONIBILITA' LIQUIDE E MEZZI EQUIVALENTI ALL'INIZIO DELL'ESERCIZIO (E)		161.573.502	124.911.283
DISPONIBILITA' LIQUIDE E MEZZI EQUIVALENTI ALLA FINE DELL'ESERCIZIO (F= D+ E)		**137.807.344**	**161.573.502**

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

Amounts in Euro

	Notes	31.12.2019	*of which related parties*	*% incidence*	31.12.2018	*of which related parties*	*% incidence*
Non-current assets							
Intangible assets	4	17.003	-		40.646	-	
Property, plant and equipment	5	6.116.923	-		3.265.955	-	
Investments	6	81.294.977	-		57.230.000	-	
Financial receivables	7	56.256.725	26.781.731	47,6%	60.428.120	32.054.202	53,0%
Other financial assets	8	13.853.109	-		15.558.528	-	
Sundry receivables and other assets	9	160.103	-		160.467	-	
Deferred tax assets	10	6.022.408	-		4.001.493	-	
Total non-current assets		**163.721.248**	**26.781.731**	**16,4%**	**140.685.209**	**32.054.202**	**22,8%**
Current assets							
Financial receivables	11	48.692.502	48.692.502	100,0%	71.411.024	71.411.024	100,0%
Current tax assets	12	575.069	-		4.430.784	-	
Sundry receivables and other assets	13	7.428.751	1.899.385	25,6%	9.829.909	9.029.275	91,9%
Cash and cash equivalents	14	137.807.344	-		161.573.502	-	
Total current assets		**194.503.666**	**50.591.887**	**26,0%**	**247.245.219**	**80.440.299**	**32,5%**
Assets held for sale		-	-		-	-	
Total assets		**358.224.914**	**77.373.618**	**21,6%**	**387.930.428**	**112.494.501**	**29,0%**
Equity							
Share capital		87.907.017	-		87.907.017	-	
Share premium		53.716.218	-		53.716.218	-	
Treasury shares		-	-		(10.922.557)	-	
Reserves		63.624.236	-		31.234.671	-	
Profit (loss) for the year		9.204.063	-		43.323.501	-	
Total equity	15	**214.451.534**	**-**		**205.258.850**	**-**	
Non-current liabilities							
Bonds	16	129.307.985	-		129.255.667	-	
Financial payables	17	5.544.135	-		-	-	
Provisions for personnel	18	1.069.661	-		881.469	-	
Deferred tax liabilities	19	22.467	-		22.467	-	
Provisions for risks and charges	20	376.790	-		529.246	-	
Total non-current liabilities		**136.321.038**	**-**		**130.688.849**	**-**	
Current liabilities							
Bonds	21	2.089.090	-		44.844.360	-	
Financial payables	22	133.602	-		91.981	-	
Sundry payables and other liabilities	23	5.229.650	657.350	12,6%	7.046.388	3.525.009	50,0%
Total current liabilities		**7.452.342**	**657.350**	**8,8%**	**51.982.729**	**3.525.009**	**6,8%**
Total equity and liabilities		**358.224.914**	**657.350**	**0,2%**	**387.930.428**	**3.525.009**	**0,9%**

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

Amounts in Euro

		31.12.2019	*of which related parties*	*% incidence*	31.12.2018	*of which related parties*	*% incidence*
Revenue	24	530.821	516.214	97,2%	590.096	574.821	97,4%
Other income	25	4.172.042	866.149	20,8%	836.283	589.619	70,5%
Costs for services	26	(2.048.789)	(912.869)	44,6%	(4.681.725)	(2.450.369)	52,3%
Personnel costs	27	(3.123.440)	(712.137)	22,8%	(3.138.310)	(982.507)	31,3%
Other costs	28	(806.436)			(1.118.931)	(895)	0,1%
Dividends	29	19.496.821	19.314.296	99,1%	47.924.528	47.709.950	99,6%
Profit (loss) from management of financial assets and investments	30	-			6.215.245		
Amortisation and value adjustments to intangible assets	31	(341.892)			(192.276)		
Allocations to the provision for risks	32	-			(143.276)		
Operating result (EBIT)		**17.879.127**			**46.291.634**		
Financial income	33	2.583.130	864.509	33,5%	5.916.247	3.814.321	64,5%
Financial expenses	34	(6.505.049)			(8.072.043)	5.167	-0,1%
Value adjustments to financial assets and receivables	35	(874.768)			(5.652.794)		
Value adjustments on investments	36	(8.414.250)			(3.000.000)		
Profit (loss) from trading of financial assets		-			-		
Profit (loss) before taxes		**4.668.190**			**35.483.044**		
Income taxes	37	4.535.873			7.840.457		
Profit (loss) for the year		**9.204.063**			**43.323.501**		

Explanatory Notes

1. General information

Mittel S.p.A. (hereinafter also the "Company") is an Italian limited company registered in the Milan Register of Companies.
It is the Parent Company with a direct interest, or indirect through other sub-holdings, in the share capital of the companies that operate in the same business sectors as Mittel S.p.A. does.
The registered office is at Via Borromei, 5, Milan.
The core business of the company and its subsidiaries is indicated in the descriptive section of the Directors' Report on Operations.
These separate financial statements are expressed in Euro.
As Parent Company, Mittel S.p.A. has also prepared the consolidated financial statements of Mittel S.p.A. as at 31 December 2019.

2. Form and content of the financial statements

The separate financial statements are 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.
The separate financial statements for the year ended 31 December 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 2019, 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 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 no significant uncertainties exist, as defined by paragraph 25 of IAS 1, regarding the going concern assumption.
In particular, taking into account the equity, economic and liquidity ratios and the specific business areas in which the Company and the entire Mittel Group operate, it is believed (also considering the potential impacts of the Coronavirus, albeit which cannot be reliably estimated) the group will not be in a significantly uncertain position in relating to events or conditions which may give rise to serious doubts over the company's capacity to operate as a going concern.
In light of the above, the Directors confirm the reasonable expectation that the Company and the Group will continue to operate in the foreseeable future and that, consequently, the separate financial statements as at 31 December 2019 were prepared on basis of the going concern assumption.
For additional consideration regarding the form and contents of the financial statements, please refer, where applicable, also to the corresponding section of the consolidated financial statements.

3. Main accounting standards adopted by the Parent Company

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.

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 Company 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 intangible assets under development to be amortised starting from the year their useful life starts.

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 the company are as follows:
- Buildings 3,0%
- Vehicles 25,00%
- Furniture and fittings 12,00%
- Electronic machines 33,33%
- Equipment 15,00%.

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 year.

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 Company has various contracts in place for the use of buildings, vehicles and other minor assets owned by third parties. The lease terms are negotiated individually and contain a wide range of differing terms and conditions.

From 1 January 2019, following the first-time adoption of IFRS 16, the Company 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. The Company estimates the fair value of the restoration obligation based on the agreement with the lessor or appraisal valuations obtained from third parties. The discounted value of the liability determined in this way increases the right of use of the underlying asset, with recognition of a dedicated provision as contra-item. Unless the Company 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 incremental borrowing rates (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 entities 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;
- lease term;
- 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 Company 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 Company.

The marginal interest rates defined by the Company 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 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. Interest rates set forth in the lease agreements are limited.
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 incremental 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:

e. lease term;
f. valuation of a purchase option on the asset;
g. amounts that are expected to be paid as part of a guarantee on the residual value;
h. 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 incremental 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.

Investments in subsidiaries and associates (IFRS 10, IAS 27 and IAS 28)

Investments in subsidiaries and associates are recognised at cost, adjusted for any impairment. The positive difference emerging at the time of purchase between the acquisition cost and the share of equity at current values of the investment and pertaining to the company is therefore included in the book value of the investment.
Investments in subsidiaries and associates are subject to impairment testing each year, or more frequently if necessary. If there are indications that any of the investments has suffered impairment, this is recognised in the income statement as a write-down.
If the share of investee's losses pertaining to the company exceeds the book value of the investment, and the company has an obligation or intends to cover them, the value of the investment is impaired in full and the share of the residual losses is recognised as a provision under liabilities.
If in the future the impairment loss no longer applies or reduces, it is reversed in the income statement up to the cost limit.

Financial assets (IAS 32 and IFRS 9)

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

(iv) an asset measured at amortised cost – "Hold to Collect",
(v) an asset measured at fair value with recognition in equity – "Hold to Collect & Sell" and, lastly
(vi) an asset measured at fair value with recognition in the income statement – "Trading/Other".

The Company'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 Company 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 Company 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 Company 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.

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 Company 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 Company 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 Company 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 company'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.

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 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.

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. In addition to the allocation of current and deferred taxes, the Company monitors, in line with IFRIC 23, any impacts that may result from tax assessments already announced and still not settled or whose income is uncertain, as well as any uncertainties connected with the tax treatments adopted by the Group, which may not be accepted by 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 Company 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 Company's services as they are provided;
- the Company'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 Company's performance does not create an asset that presents an alternative use for the Company.

For every performance obligation fulfilled over time, the Company 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 year attributable to Shareholders of the 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, under IFRS requires management to use estimates and assumptions that affect the carrying amount of statement of financial position 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 that period, or also in subsequent periods if the revision has an effect on both the current and future years.
The main items in the financial statements affected by this estimation process are deferred taxes and the fair value of financial instruments.
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 Company 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 Company 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 Company records an impairment loss 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 Company’s more recent plans.

Realisability of deferred tax assets

The Company 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 Company fall into this category. The estimate of the allowance for impairment is based on expected losses by the Company, determined on the basis of past experience with similar receivables, losses and collections.

Contingent liabilities

The Company 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 Company identifies a liability in respect of these disputes when it believes that the dispute will result in a financial outlay and when the amount of the resultant 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.

The main factors of uncertainty which could impact the future scenarios in which the Company will operate include possible developments from the spread to the global and Italian economy linked directly and indirectly to the Coronavirus (COVID-19) epidemic, whose impacts cannot be quantified at present, as also specified in the paragraph "Significant events after 31 December 2019", to which reference should be made; however, it should be noted that the sensitivity analyses carried out, also assuming reductions in revenues within reasonable ranges, albeit in a scenario of significant uncertainty, do not highlight issues in terms of impairment tests and measurement of the main financial statements items.
As at 29 April 2020, it should not be overlooked that the year 2020 will be heavily impacted by the spread of the Coronavirus epidemic at global level. Therefore, periodic monitoring will be conducted in this regard in order to mitigate the risks stemming from the temporary situation; please refer to the paragraph "Risks associated with the Coronavirus epidemic".

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

Information on the Statement of Financial Position

Non-current assets

4. Intangible assets

These totalled EUR 17 thousand (EUR 41 thousand as at 31 December 2018). The overall decrease compared to the previous year was EUR 24 thousand.

The breakdown of this item is as follows:

	Goodwill	Trademarks	Plant	Concessions and licences	Other	Total
Values as at 01.01.2019				**9.113**	**31.533**	**40.646**
Changes in the year:						
- acquisitions				2.557	939	**3.496**
- increase due to business combinations						**-**
- disposals						**-**
- reclassifications						**-**
- amortisation				(5.522)	(21.617)	**(27.139)**
- other changes						**-**
Total changes	**-**	**-**	**-**	**(2.965)**	**(20.678)**	**(23.643)**
Values as at 31.12.2019				**6.148**	**10.855**	**17.003**

5. Property, plant and equipment

These totalled EUR 6.117 thousand (EUR 3.266 thousand as at 31 December 2018). They increased by a total of EUR 2.851 thousand compared to the previous year. This increase is primarily due to the application of IFRS 16, whose effects are shown in the item "Rights of use", amounting to EUR 5.777 thousand, net of the decrease of EUR 3.001 thousand deriving from the sale of the offices in Milan, Piazza Armando Diaz 7, which involved a significant capital gain, already disclosed in full in other sections of this annual report. Note should also be taken of an increase of EUR 389 thousand, attributable to improvements to fixtures at the new leased company headquarters.

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	**3.125.808**			**97.551**		**42.596**	**3.265.955**
Changes in the year:							
- acquisitions				172.041	5.777.492	**217.066**	**6.166.599**
- increase due to business combinations							**-**
- disposals	(3.000.878)						**(3.000.878)**
- reclassifications							**-**
- depreciation	(99.940)			(29.155)	(165.482)	**(20.176)**	**(314.753)**
- other changes							**-**
Total changes	**(3.100.818)**	**-**	**-**	**142.886**	**5.612.010**	**196.890**	**2.850.968**
Values as at 31.12.2019	**24.990**			**240.437**	**5.612.010**	**239.486**	**6.116.923**

6. Equity investments

These totalled EUR 81.295 thousand (EUR 57.230 thousand as at 31 December 2018). The overall increase was EUR 24.065 thousand.
The breakdown of this item is as follows:

	31.12.2019	**31.12.2018**
Earchimede S.p.A.	8.500.000	13.500.000
Mittel Investimenti Immobiliari S.r.l.	7.000.000	7.000.000
Mittel Generale Investimenti S.r.l.	5.400.000	5.400.000
Mittel Advisory S.r.l.	800.000	2.350.000
Ghea S.r.l.	-	2.805.000
Mittel Design S.r.l.	22.850.000	1.000.000
IMC S.p.A.	11.625.000	11.625.000
Gruppo Zaffiro S.r.l.	13.500.000	13.500.000
Mit.Fin S.p.A.	50.000	50.000
Curae Group S.r.l.	10.000	-
Sport Fashion Service S.r.l.	11.559.977	-
	81.294.977	**57.230.000**

The changes in investments during the year are illustrated in the following table:

Company name	% interest	Balances at 01.01.2019	Purchases and subscriptions	Sales, repayments and reversals	Dividends and reserves distributed	Pro-rata profit (loss)	Gains (losses) from disposals	Impairments	Other changes	Balances at 31.12.2019
Investments										
Earchimede S.p.A.	85%	13.500.000	1.864.250					(6.864.250)		8.500.000
Ghea S.r.l. in liquidation	51%	2.805.000		(2.805.000)						0
Gruppo Zaffiro S.r.l.	60%	13.500.000								13.500.000
IMC S.r.l.	75%	11.625.000								11.625.000
Mit.fin S.p.A.	30%	50.000								50.000
Mittel Advisory S.r.l. in liquidation	100%	2.350.000						(1.550.000)		800.000
Mittel Design S.r.l.	100%	1.000.000	21.850.000							22.850.000
Mittel Generale Investimenti S.r.l.	27%	5.400.000								5.400.000
Mittel Investimenti Immobiliari S.r.l.	100%	7.000.000								7.000.000
Curae Group S.r.l.	100%	-	10.000							10.000
Sport Fashion Service S.r.l.	90%	-	11.559.977							11.559.977
Total investments		**57.230.000**	**35.284.227**	**(2.805.000)**				**(8.414.250)**		**81.294.977**

The change in the item is determined mainly by the acquisition of the investment in Sport Fashion Service S.r.l., as well as the increase in the investments in Earchimede S.p.A. (purchase of non-controlling interests) and Mittel Design S.r.l. (increase in capital resources to finance significant acquisitions of the latter in bathroom fixtures). All transactions have been detailed in full in the other sections of this annual report, to which reference should be made. Note should also be taken of: (i) the collection deriving from the closure of the liquidation of the investee Ghea S.r.l. in liquidation (which also involved the recognition of a significant dividend in the income statement); the negative impact of the write-downs of the investees Earchimede S.p.A. and Mittel Advisory S.r.l. in liquidation, to be read, however, jointly, with the notable distributions carried out by the investees, accounted for as dividends in the income statement.

Impairment test of the recoverable value of investments

Investments in subsidiaries and associates recognised at cost are subjected to impairment tests in accordance with rules envisaged in IAS 36.
According to IAS 36, the recoverable value is represented by the higher between the fair value of the investment, net of costs to sell, and its value in use. Therefore, for the impairment testing of investments recognised in the separate financial statements it is necessary to verify that the recoverable value of the investment is higher than its book value.

According to IAS 36, the existence of significant changes should be verified, with negative effects, in the financial market targeted by the subsidiaries' activities, considered such that the economic performance of the investees could reasonably prove to be more unfavourable than expected.

The impairment tests were performed on the investments held by Mittel S.p.A. for which indicators of impairment were identified as established by IFRS 9 and IAS 36, essentially referring to events indicating the existence of a considerable decrease in expected cash flows on the equity investment compared to the time of their initial recognition.

As regards the investments for which goodwill is booked in the consolidated financial statements, the results of the analyses conducted for the impairment test of this goodwill were used, re-adjusted accordingly, owing to the verification of the absence of indicators of impairment of investments booked to the separate financial statements.

For the other investments, the economic performances of the investees were analysed, as well as the equity values and the values of the underlying assets, without verifying any indicator of impairment, except for what is described below. In particular, during the year, Earchimede S.p.A. and Mittel Adisory S.r.l. made notable distributions of reserves (of EUR 7,5 million and EUR 2,0 million respectively). The accounting of these distributions as dividends in the income statement, required by the accounting standards, represents an indication of impairment, which gave rise to the subsequent re-alignment of the book value of the investees to the new recoverable value and the subsequent accounting of write-downs amounting to EUR 6,8 million for Earchimede and EUR 1,6 million for Mittel Advisory.

	Book value subject to impairment testing	Adjustments for impairment value	Recoverable value
	EUR	*EUR*	*EUR*
Investments in subsidiaries:			
Earchimede S.p.A.	15.364.250	(6.864.250)	8.500.000
Mittel Advisory S.r.l. in liquidation	2.350.000	(1.550.000)	800.000
	17.714.250	**(8.414.250)**	**9.300.000**

7. Financial receivables

These totalled EUR 56.257 thousand (EUR 60.428 thousand as at 31 December 2018). The overall decrease was EUR 4.171 thousand.

	31.12.2019	31.12.2018
Loans	56.256.725	60.428.120
Other receivables	-	-
Security deposits	-	-
	56.256.725	**60.428.120**

	31.12.2019	31.12.2018
- Loans - financial institutions	9.847.964	9.806.032
- Loans - customers	46.408.761	50.622.088
	56.256.725	**60.428.120**

The item "Loans - financial institutions" is explained in full by the receivable of EUR 9,8 million from Fondo Augusto, managed by Castello SGR S.p.A.

8. Other non-current financial assets

These totalled EUR 13.853 thousand (EUR 15.559 thousand as at 31 December 2018). The overall decrease was EUR 1.706 thousand.

The breakdown of this item is as follows:

	31.12.2019	31.12.2018
Financial assets		
Equities and fund units	13.853.109	15.558.528
Bonds	-	-
Derivative financial instruments	-	-
Financial assets measured at fair value	-	-
	13.853.109	**15.558.528**

Financial assets

The item mainly includes equity instruments of companies recorded as financial assets measured at fair value through profit or loss and is composed as follows:

	31.12.2019	31.12.2018
Financial assets		
Equities and fund units:		
Fondo Augusto	11.523.972	12.341.764
Fondo Cosimo I	582.239	1.253.095
Equinox Two S.c.a.	246.898	463.669
SIA - SSB S.p.A.	1.400.000	1.400.000
Nomisma S.p.A.	100.000	100.000
	13.853.109	**15.558.528**

The change during the year in financial assets is presented in the following table.

Name/company name	Values as at 01.01.2019	Purchases- Calls for funds	Sales - Distributions of funds	Capital gains (losses)	Write-downs for impairment	Fair value adjustments	Values as at 31.12.2019
Equities and fund units:							
Fondo Augusto	12.341.764					(817.792)	11.523.972
Fondo Cosimo I	1.253.095					(670.856)	582.239
Equinox Two S.c.a.	463.669		(239.188)			22.417	246.898
SIA - SSB S.p.A.	1.400.000						1.400.000
Nomisma S.p.A.	100.000						100.000
	15.558.528	**-**	**(239.188)**	**-**	**-**	**(1.466.230)**	**13.853.109**

The main changes in this item, broken down as above, refer in particular to:

- the decrease of EUR 239 thousand entirely attributable to the distribution by Equinox Two S.c.a.;
- the effect of write-downs, amounting to EUR 1.466 thousand, primarily due to Fondo Augusto (EUR 818 thousand) and Fondo Cosimo I (EUR 671 thousand), to which are added positive adjustments to fair value for Equinox Two S.c.a. (EUR 22 thousand).

9. Sundry receivables and other assets

The item “Sundry receivables and other non-current assets”, amounting to EUR 160 thousand (value in line with the one as at 31 December 2018), refers mainly to the usufruct on a share (EUR 143 thousand) and tax receivables for which reimbursement was requested by liquidated companies and assigned to Mittel S.p.A. on final distribution (EUR 15 thousand).

	31.12.2019	31.12.2018
Tax receivables	15.362	15.362
Other receivables	144.741	144.741
Other assets	-	364
	160.103	**160.467**

10. Deferred tax assets

This item totalled EUR 6.022 thousand, increasing by EUR 2.021 thousand compared to 31 December 2018.

	31.12.2019	31.12.2018
Tax assets recognised through profit or loss	6.020.915	4.000.000
Tax assets recognised in equity	1.493	1.493
	6.022.408	**4.001.493**

	31.12.2019	31.12.2018
Deferred tax assets		
Assets/liabilities held for trading	-	-
Investments	-	-
Property, plant and equipment/intangible assets	-	-
Allocations	-	-
Other assets/liabilities	6.022.408	4.001.493
Receivables	-	-
Losses carried forward	-	-
Other	-	-
	6.022.408	**4.001.493**

Recall that, from the previous year, deferred tax assets were allocated on the sizeable previous tax losses and surplus previous interest expense, against significant changes to the Group’s perimeter as a result of the acquisitions of the previous year, which resulted in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical change in the expectations for the recovery of latent tax benefits. The amount was increased during the year to take into consideration the further expansion in the perimeter. Please refer to the thorough description in the corresponding section of the consolidated financial statements.

The table below shows the changes during the year:

Tax assets recognised through profit or loss:

	31.12.2019	31.12.2018
Opening balance	**4.000.000**	**-**
Increases	**2.020.915**	**4.000.000**
Deferred tax assets recorded in the period:	-	-
- relating to previous years	-	-
- *other*	-	-
Increases in tax rates	-	-
Other increases	2.020.915	4.000.000
Decreases	**-**	**-**
Deferred tax assets cancelled in the period:	-	-
- *reversals*	-	-
Decreases in tax rates	-	-
Other decreases	-	-
	6.020.915	**4.000.000**

Tax assets recognised in equity:

	31.12.2019	31.12.2018
Opening balance	**1.493**	**1.493**
Increases	**-**	**-**
Deferred tax assets recorded in the period:	-	-
- relating to previous years	-	-
- *other*	-	-
Increases in tax rates	-	-
Other increases	-	-
Decreases	**-**	**-**
Deferred tax assets cancelled in the period:	-	-
- *reversals*	-	-
Decreases in tax rates	-	-
Other decreases	-	-
	1.493	**1.493**

Current assets

11. Financial receivables

These totalled EUR 48.693 thousand (EUR 71.411 thousand as at 31 December 2018). The overall decrease was EUR 22.718 thousand.

The breakdown of this item is as follows:

	31.12.2019	31.12.2018
Loans	48.692.502	71.411.024
Other receivables	-	-
Security deposits	-	-
	48.692.502	**71.411.024**

	31.12.2019	31.12.2018
Loans - financial institutions	-	-
Loans - customers	48.692.502	71.411.024
	48.692.502	**71.411.024**

Changes in loans to customers	
Opening balance	**71.411.024**
collections for the year	(29.003.218)
Disbursements	7.010.000
Reclassifications	(350.000)
interest earned	20.110
value adjustments	(395.414)
Closing balance	**48.692.502**

This item primarily consisted of outstanding loans with Mittel Investimenti Immobiliari S.r.l. for EUR 42,0 million, Sport Fashion Service S.r.l. in liquidation for EUR 2,0 million and Gruppo Zaffiro S.r.l. for EUR 5,0 million.

12. Current tax assets

These totalled EUR 575 thousand (EUR 4.431 thousand as at 31 December 2018). The overall decrease was EUR 3.856 thousand.

The item is mainly represented by the residual IRES receivables for a total of EUR 422 thousand, deriving from withholding taxes and advances paid by Mittel S.p.A. and by its subsidiaries included in the tax consolidation, and to the IRAP receivable for EUR 153 thousand referring, mainly to the tax benefit from recalculation of the IRAP taxable base for 2011/2012 following receipt of the response to the query put to the Italian Revenue Agency regarding the application, for the year in question, of rules envisaged in art. 6, paragraph 9 of Legislative Decree 446/1997 for industrial holdings.

The decrease in the IRES receivable is essentially due to offsetting, performed by Mittel S.p.A. and the subsidiaries, against the payment of taxes through Form F24.

	31.12.2019	31.12.2018
IRES (corporate income tax)	422.388	3.789.522
IRAP (regional business tax)	152.681	641.262
Other taxes	-	-
	575.069	**4.430.784**

The changes in this item in the year are shown below:

	31.12.2019	31.12.2018
Opening balance	**4.430.784**	**7.660.758**
Increases	**-**	**-**
Current tax assets recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Other increases	-	-
Decreases	**(3.855.715)**	**(3.229.974)**
Current tax assets cancelled in the year:	-	-
- reimbursements	-	-
Other decreases	(3.855.715)	(3.229.974)
	575.069	**4.430.784**

13. Sundry receivables and other assets

These totalled EUR 7.429 thousand (EUR 9.830 thousand as at 31 December 2018). The overall decrease was EUR 2.401 thousand.

The breakdown of this item is as follows:

	31.12.2019	31.12.2018
Trade receivables	312.353	603.690
Receivables from leases	-	-
Other tax receivables	525.286	429.745
Other receivables	6.517.838	8.534.148
Accrued income and prepaid expenses	73.274	262.326
	7.428.751	**9.829.909**

The item “Trade receivables” decreased EUR 291 thousand compared to 31 December 2018, in reference to invoices issued in December 2019 to companies that are part of the consolidation for services rendered.

The item “Other tax receivables” refers to VAT receivables for which reimbursement was requested for a total of EUR 350 thousand.

The item “Other receivables”, amounting to EUR 6.518 thousand (EUR 8.534 thousand as at 31 December 2018), recorded a decrease compared to the previous year of EUR 2.016 thousand and mainly includes receivables due from Group companies for taxes, VAT and sundry charges.

The item “Accrued income and prepaid expenses” includes accruals of EUR 8 thousand (EUR 166 thousand as at 31 December 2018) and deferrals on contractual payments due in future periods for EUR 65 thousand (EUR 96 thousand as at 31 December 2018).

14. Cash and cash equivalents

Cash and cash equivalents, amounting to EUR 137.807 thousand (EUR 161.574 thousand as at 31 December 2018), include cash held by the Company and investments in bank deposits and certificates maturing within three months, and therefore considered readily convertible to cash.

	31.12.2019	31.12.2018
Cash	7.221	7.005
Bank and postal deposits	137.800.123	161.566.497
	137.807.344	**161.573.502**

For the changes in cash and cash equivalents, reference should be made to the Cash Flow Statement in these separate financial statements.

Equity

15. Equity

Equity totalled EUR 214.452 thousand (EUR 205.259 thousand as at 31 December 2018), up by EUR 9.193 thousand compared to 31 December 2018.

The breakdown of equity is shown in the following table:

	31.12.2019	31.12.2018
Share capital	87.907.017	87.907.017
Legal reserve	17.581.403	16.760.462
Treasury shares	-	(10.922.557)
Share/holding premium reserve	53.716.218	53.716.218
Valuation reserves	(209.460)	(141.856)
Other reserves	3.749.733	14.616.065
Profit (loss) of previous years	42.502.560	-
Profit (loss) for the year	9.204.063	43.323.501
Equity	**214.451.534**	**205.258.850**

Type/description	Amount	Possibility of use	Available portion	Summary of utilisations during the three prior years	
				To cover losses	For other purposes
Share capital	**87.907.017**				
Capital reserves:					
Share premium reserve	53.716.218	A,B,C	53.716.218		
Other:					
- surplus on share swap	949.931	A,B	949.931		
- revaluation reserve as per Law no. 72/1983	2.372.917	A,B	2.372.917		
- revaluation reserve as per Law no. 413/1991	43.908	A,B	43.908		
Treasury shares	-		-		
Profit reserves:					
Legal reserve	17.581.403	B	17.581.403		
Other:					
- merger reserves	3.907.896	A,B,C	3.907.896	35.362.522	20.678.318
- share-based payment reserve	301.117		-		
- IAS/IFRS FTA reserve	(4.640.956)		(4.640.956)		
- other	814.920	A,B,C	814.920		
Valuation reserve	(209.460)		(209.460)		
Profits for the year and carried forward	42.502.560	A,B,C	42.502.560		
Total reserves	**117.340.454**		**117.039.337**		
Non-distributable portion			20.948.159		
Residual distributable portion			96.091.178		

Key: A - for share capital increases, B - to cover losses, C - for distribution to shareholders

Changes in equity during the year are shown in detail in the relative schedule attached previously.

Share capital

Share capital is made up of 81.347.368 ordinary shares with no nominal value. 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.

Treasury shares

As at 31 December 2019, the Parent Company held no treasury shares. Please refer to the discussion in the preceding paragraph.

Valuation reserve

The valuation reserve refers, following the application, from 1 January 2018, of IFRS 9, which led the company to qualify financial assets as assets at fair value through profit or loss, exclusively to actuarial gains/losses registered in respect of the application of IAS 19 for the measurement of employee severance indemnity.

16. Bonds

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

	31.12.2019	31.12.2018
Current portion	2.089.090	44.844.360
Non-current portion	129.307.985	129.255.667
	131.397.075	**174.100.027**

As at 31 December 2019, a single bond was in place, listed on the screen-based bond market (“MOT”), “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.

The overall liability breaks down as follows:

“Mittel S.p.A. 2017-2023” bonds, fixed rate 3,75%		
Current portion	2.089.090	2.089.090
Non-current portion	129.307.985	129.205.282
Total “Mittel S.p.A. 2017-2023” bonds, fixed rate 3,75%	**131.397.075**	**131.294.372**

The table below shows the differentials between the nominal value (including the coupon accrued at 31 December 2019) and the book value 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.

	31.12.2019	31.12.2018
Current portion		
“Mittel S.p.A. 2017-2023” bonds, fixed rate 3,75% (coupon in the process of maturity)	2.089.090	2.089.090
Non-current portion		
“Mittel S.p.A. 2017-2023” bonds, fixed rate 3,75% (repayment value at maturity)	129.514.718	129.514.718
Total nominal repayment	**131.603.808**	**131.603.808**
Measurement at amortised cost	(206.733)	(309.436)
Total book value	**131.397.075**	**131.294.372**

During the year, on 12 July 2019 in particular, Mittel S.p.A. repaid the 2013-2019 bond in full at maturity.

As at 31 December 2019, the fair value of the bond still outstanding was EUR 0,9219395 per security (103,01 on a 100 basis), for a total market value of EUR 133.413.111.

The prospectus and the regulation for the bond issue are available on the website www.mittel.it, in the section “Investor Relations”.

The 2017-2023 loan requires that, after 36 months from issue, Mittel 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).

17. Financial payables

The item, absent in the previous year, refers entirely to the payables for rights of use due to the application of IFRS 16.

	31.12.2019	31.12.2018
Bank loans		
Other loans		
Financial lease payables		
Other financial payables		
Liabilities for rights of use	5.544.135	
	5.544.135	**-**

18. Provisions for personnel

As at 31 December 2019, this item totalled EUR 1.070 thousand (EUR 881 thousand as at 31 December 2018) and is composed as follows:

	31.12.2019	31.12.2018
Employee severance indemnity	1.069.661	881.469
Other allowances		
	1.069.661	**881.469**

The table below illustrates changes during the year in the provision for Employee Severance Indemnity:

	31.12.2019	31.12.2018
Opening balances	**881.469**	**776.474**
Increases:		
- Allocation for the period	110.996	98.266
- Increase due to business combinations		
- Other increases	81.267	44.180
Decreases:		
- Utilisations		(37.451)
- Other decreases	(4.071)	-
	1.069.661	**881.469**

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 then 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, and are based on the assumption of the parent and group companies as going concerns.

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 (1,5% for 2017/2018 and steady at 2% by 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 paragraph 623, art. 1 of Law no. 190 of 23 December 2014 – 'Stability Law').
For each of the basic assumptions, an analysis is 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.

19. Deferred tax liabilities

As at 31 December 2019, the item amounted to EUR 22 thousand, unchanged from 31 December 2018.
The breakdown of this item is as follows:

	31.12.2019	**31.12.2018**
Tax liabilities recognised through profit or loss		
Tax liabilities recognised in equity	22.467	22.467
	22.467	**22.467**

	31.12.2019	**31.12.2018**
Deferred liabilities		
Receivables		
Assets/liabilities held for sale	22.467	22.467
Investments		
Property, plant and equipment/intangible assets		
Other assets/liabilities		
Other		
	22.467	**22.467**

The changes in tax liabilities recognised in equity were as follows:

	31.12.2019	**31.12.2018**
Opening balance	**22.467**	**22.467**
Increases	**-**	**-**
Deferred taxes recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	-	-
Decreases	**-**	**-**
Deferred taxes cancelled in the period:	**-**	**-**
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	-	-
	22.467	**22.467**

20. Provisions for risks and charges

As at 31 December 2019, this item amounted to EUR 377 thousand (EUR 529 thousand as at 31 December 2018), marking a decrease of EUR 152 thousand compared to the previous year.

The breakdown is as follows:

	31.12.2019	31.12.2018
Provision for risks:		
Legal disputes	376.790	529.246
Disputes with personnel		
Contractual disputes		
Other disputes		
Other provisions:		
Expenses for personnel		
Other		
	376.790	**529.246**

The item saw the following changes:

	31.12.2019	31.12.2018
Opening balance	**529.246**	**932.770**
Increases:		
Allocation for the period	-	186.126
Other increases	-	-
Decreases:		
Utilisations	(152.456)	(589.650)
Other decreases	-	-
	376.790	**529.246**

The decreases are attributable to uses as a result of costs being incurred, to which allocations made in previous years referred.

Current liabilities

21. Bonds

These relate entirely for EUR 2.089 thousand to interest accrued in the period from 27 July 2019, the 2017-2023 bond loan use date, to the date of these financial statements.

22. Financial payables

These totalled EUR 134 thousand (EUR 92 thousand as at 31 December 2018), a decrease of EUR 42 thousand.

The item is composed as follows:

	31.12.2019	31.12.2018
Bank loans		91.981
Current portion of medium/long-term bank loans		
Other loans		
Other financial payables		
Liabilities for rights of use	133.602	
	133.602	**91.981**

23. Sundry payables and other liabilities

These totalled EUR 5.230 thousand (EUR 7.046 thousand as at 31 December 2018). The overall decrease was EUR 1.816 thousand.

The breakdown of this item is as follows:

	31.12.2019	31.12.2018
Trade payables	1.599.818	1.986.154
Tax payables	236.704	913.582
Payables relating to employees	453.019	466.292
Payables due to directors and statutory auditors	598.129	358.828
Payables due to social security institutions	133.583	125.851
Other payables	2.205.089	3.144.819
Accrued expenses and deferred income	3.308	50.862
	5.229.650	**7.046.388**

The item "Trade payables" refers to invoices received but not yet paid for EUR 345 thousand and invoices to be received for EUR 1.255 thousand. The latter refer to payables allocated on the basis of existing mandates and relating to payables for legal expenses (EUR 991 thousand), professional consulting (EUR 133 thousand), fees for certification of the financial statements (EUR 88 thousand), and utilities (EUR 1 thousand).

The item "Tax payables" consists primarily of EUR 168 thousand for payables to Inland Revenue Agency for fees paid in December 2019 and EUR 69 thousand of other tax payables.

The item "Other payables", equivalent to EUR 2.205 thousand mainly refers to the payable to companies participating in the tax consolidation, for which Mittel S.p.A. is the Parent Company, for EUR 2.147 thousand, due to the use of tax losses of certain entities to cover the tax profits of others.

Information on the income statement

24. Revenue

This item totalled EUR 531 thousand (EUR 590 thousand as at 31 December 2018). The overall decrease was EUR 59 thousand.

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

	31.12.2019	31.12.2018
Revenue from property sales	-	-
Revenue from rent	67.029	60.569
Revenue from provision of services	463.792	529.527
Revenue from fund management commission	-	-
Revenue from commission from finance leases	-	-
Other revenue	-	-
	530.821	**590.096**

The item "Revenue from rent" relates to the sub-lease agreement with Mittel Generale Investimenti S.r.l., with reference to the fifth floor located in the same building for EUR 14 thousand, the subsidiaries Mittel Investimenti Immobiliari S.r.l. for the leasing of offices on the twelfth floor and Mittel Advisory S.r.l. in liquidation for the thirteenth floor for EUR 32 thousand and EUR 4 thousand respectively; all offices are occupied until 30 November 2019, before the transfer of the Group's office.
Only revenue relating to the temporary rental of some company offices for EUR 16 thousand is added for this year.

Revenue from the provision of services relates for EUR 445 thousand to chargebacks to subsidiaries and associates for direct debit, administrative and IT services outsourced, and for EUR 19 thousand to direct debit expenses and the chargebacks of electricity and condominium expenses associated with lease agreements.

25. Other income

This item totalled EUR 4.172 thousand (EUR 836 thousand as at 31 December 2018). The overall increase was EUR 3.336 thousand.

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

	31.12.2019	31.12.2018
Recoveries of various expenses	-	-
Extraordinary contingent assets	3.748.122	204.276
Income from elimination of assets	35	5.003
Other revenue and income	423.885	627.004
	4.172.042	**836.283**

The item "Contingent assets" is mostly comprised, for EUR 3.699 thousand, of the significant capital gain realised on the sale of the offices in Milan, Piazza Armando Diaz 7.

The item "Other revenue and income" principally contains the chargeback for fees of the administrative body and supervisory body from Mittel S.p.A. to the subsidiaries and associates.

26. Costs for services

These totalled EUR 2.049 thousand (EUR 4.682 thousand as at 31 December 2018). The overall decrease compared to 31 December 2018 was EUR 2.633 thousand.

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

	31.12.2019	**31.12.2018**
Legal consultancy	(152.820)	(572.250)
Notary consultancy	(23.534)	(8.727)
Other consultancy	(442.106)	(910.528)
Commission and advisory expenses	-	-
General services and maintenance	(334.496)	(324.634)
Administrative, organisational and audit services	(5.118)	(5.836)
Cost of temporary workers	-	-
Directors' fees	(656.808)	(2.282.933)
Board of Statutory Auditors' fees	(148.719)	(145.600)
Supervisory Body's fees	(45.009)	(35.750)
Fees for prosecutors and Manager in charge	(16.000)	(16.000)
Rentals	(9.035)	(52.213)
Leases	(8.159)	(53.714)
Insurance	(127.003)	(183.733)
Utilities	(69.300)	(80.150)
Advertising	-	(350)
Other services	**(10.682)**	**(9.307)**
	(2.048.789)	**(4.681.725)**

In particular, note the marked decrease in fees to directors for a total of around EUR 1,6 million, costs for legal consultancy services for around EUR 0,4 million and other consultancy services for EUR 0,5 million.

27. Personnel costs

These totalled EUR 3.123 thousand (EUR 3.138 thousand as at 31 December 2018). The overall decrease compared to 31 December 2018 was EUR 15 thousand.

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

	31.12.2019	**31.12.2018**
Wages and salaries	(2.306.377)	(2.164.068)
Social security costs	(657.627)	(707.278)
Employee termination indemnity	-	-
Pension costs	-	-
Allocation to employee severance indemnity	(110.996)	(98.266)
Allocation to retirement fund and similar obligations	-	-
Payments to external supplementary pension funds	(17.479)	(20.572)
Other personnel costs	(30.961)	(148.126)
	(3.123.440)	**(3.138.310)**

Average number of employees broken down by category:

	Average in the year 2019	Average in the year 2018
Managers	5	5
Officials	8	8
Employees	10	14
Total	**23**	**27**

28. Other costs

These totalled EUR 806 thousand (EUR 1.119 thousand as at 31 December 2018). The decrease compared to 31 December 2018 was EUR 313 thousand.

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

	31.12.2019	31.12.2018
Taxes and duties	(508.688)	(722.571)
Capital losses from transfer of receivables	-	-
Impairment losses on receivables	-	-
Losses on receivables	-	-
Capital losses from transfer of property, plant and equipment	-	-
Extraordinary contingent liabilities	(39.567)	(30.547)
Other sundry operating expenses	(258.181)	(365.813)
	(806.436)	**(1.118.931)**

The item “Taxes and duties” mainly includes pro-rata costs for non-deductible VAT amounting to EUR 400 thousand.
The item “Extraordinary contingent liabilities” is attributed partially to costs incurred during the year ended 31 December 2019 but relative to previous years, whose amount, at the time the relative financial statements were closed, had been underestimated, and the disposal of some tangible assets for EUR 26 thousand.
The item “Other sundry operating expenses” includes membership dues for EUR 124 thousand, non-deductible expenses for EUR 45 thousand, and expenses for managing company cars and those used by executives for EUR 95 thousand.

29. Dividends and similar income

These totalled EUR 19.497 thousand (EUR 47.925 thousand as at 31 December 2018). The overall decrease compared to 31 December 2018 was EUR 28.428 thousand.

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

	31.12.2019	31.12.2018
Dividends from financial assets held for trading	-	-
Dividends from financial assets at fair value	182.525	182.525
Dividends from investments	19.314.296	47.742.003
Other	-	-
	19.496.821	**47.924.528**

The item “Dividends from investments” is attributable to the distributions from Ghea S.r.l. in liquidation for EUR 9.803 thousand, Earchimede S.p.A. for EUR 7.511 thousand, and Mittel Advisory S.r.l. in liquidation for EUR 2.000 thousand.

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

The item was eliminated and decreased by EUR 6.215 thousand compared to 31 December 2018, when it was explained by capital gains deriving from the sale of investees and the definitive closure of disputes relating to a former investee.

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

	31.12.2019	31.12.2018
Financial assets		
Capital gains (losses) from transfer of investments	**-**	**6.215.245**
	-	**6.215.245**

31. Amortisation/depreciation

This item totalled EUR 342 thousand (EUR 192 thousand as at 31 December 2018), an increase of EUR 150 thousand, primarily due to the amortisation of rights of use recorded pursuant to IFRS 16.

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

	31.12.2019	31.12.2018
Intangible assets		
Amortisation/depreciation	(27.139)	(28.847)
Property, plant and equipment		
Depreciation of other assets owned	(149.271)	(163.429)
Amortisation of rights of use	(165.482)	-
	(341.892)	**(192.276)**

32. Allocations to the provision for risks

There were no allocations in the year, compared to a surplus of EUR 143 thousand as at 31 December 2018.

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

	31.12.2019	31.12.2018
Provisions for ongoing disputes:		
for legal disputes	-	(143.276)
for expenses for personnel	-	-
Provision for contractual disputes	-	-
Other provisions	-	-
	-	**(143.276)**

33. Financial income

This item totalled EUR 2.583 thousand (EUR 5.916 thousand as at 31 December 2018). The overall decrease compared to 31 December 2018 was EUR 3.333 thousand.

The item is composed as follows:

	31.12.2019	31.12.2018
Bank interest income	160.807	618.539
Interest income on financial receivables	2.326.802	5.192.968
Other interest income	94.939	104.740
Other financial income	582	-
	2.583.130	**5.916.247**

34. Financial expenses

These totalled EUR 6.505 thousand (EUR 8.072 thousand as at 31 December 2018). The overall decrease compared to 31 December 2018 was EUR 1.567 thousand.

The item is composed as follows:

	31.12.2019	31.12.2018
Interest expense on bonds	(6.398.955)	(7.819.369)
Interest expense on bank current accounts	-	-
Interest expense on bank loans	(13)	(20.794)
Interest expense on other loans	-	(5.612)
Other interest expenses	(63.657)	(10.122)
Other financial expenses	(42.424)	(216.132)
Exchange rate losses	-	(14)
	(6.505.049)	**(8.072.043)**

The decrease in the item is mainly attributable to the contribution, solely for the first part of the year, of interest expense on Mittel 2013-2019 Bonds, whose full reimbursement was carried out on the natural expiry of the bond, on 12 July 2019.

35. Value adjustments to financial assets and receivables

This item totalled EUR 875 thousand, decreasing by EUR 4.778 thousand compared to 31 December 2018. The breakdown of the item is shown in the following table:

	31.12.2019	31.12.2018
Write-downs on financial receivables	591.462	(4.183.191)
Write-downs on other receivables	-	-
Write-downs on financial assets	(1.466.230)	(1.469.603)
Impairment losses on non-current assets held for sale	-	-
Reversals of impairment losses on financial assets	-	-
	(874.768)	**(5.652.794)**

For further details of the item “Write-downs on financial assets”, reference should be made to paragraph “8 - Other financial assets”.

36. Value adjustments on investments

These totalled EUR 8.414 thousand (EUR 3.000 thousand as at 31 December 2018). The overall increase compared to 31 December 2018 was EUR 5.414 thousand.

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

	31.12.2019	**31.12.2018**
Write-downs of investments	(8.414.250)	(3.000.000)
Revaluations of investments	-	-
	(8.414.250)	**(3.000.000)**

The item “Write-downs of investments” refers mainly to the impairment of Earchimede S.p.A. and Mittel Advisory S.r.l., to be read jointly, however, with the notable distributions made by the investees in the year, accounted as dividends. For further details of issues related to these impairments, reference should be made to note “6. Investments” in these financial statements.

37. Income taxes

These totalled EUR 4.536 thousand (EUR 7.840 thousand as at 31 December 2018). The overall decrease compared to 31 December 2018 was EUR 3.304 thousand.

The amount is composed as follows:

	31.12.2019	**31.12.2018**
IRES (corporate income tax)	2.504.139	3.582.372
IRAP (regional business tax)	-	-
Taxes of previous years	11.153	258.085
Total current taxes	**2.515.292**	**3.840.457**
Deferred tax liabilities	20.581	-
Deferred tax assets	2.000.000	4.000.000
Total deferred taxes	**2.020.581**	**4.000.000**
Other taxes	-	-
Total income taxes	**4.535.873**	**7.840.457**

The sizeable positive contribution of this item of the income statement is principally explained by recognition of the current tax benefit deriving from the use within the tax consolidation of current and previous tax losses and surpluses of interest expense related to the Company, plus the increase of EUR 2,0 million in deferred tax assets allocated in respect of previous losses and surpluses of deductible interest expense, for which reference should be made to the observations outlined in the comments on the corresponding statement of financial position item.

Reconciliation of nominal tax rate with effective tax rate:

	Taxable base	IRES	%
Profit (loss) before taxes	4.668.190	(1.120.366)	24,00%
Non-deductible interest expense	3.871.926	(929.262)	19,91%
Value adjustments on financial assets	8.721.038	(2.093.049)	44,85%
- non-deductible expenses	165.242	(39.658)	0,85%
Transitory IFRS 16	72.271	(17.345)	0,36%
Reimbursements of taxes	(4.630)	1.111	-0,03%
Negative components of previous years	(69.445)	16.667	-0,36%
Allocation and use of provision for risks and charges	(152.456)	36.590	-0,78%
Dividends excluded	(18.621.432)	4.469.144	-95,74%
Directors' fees (cash criterion)	243.372	(58.409)	1,25%
Total	(1.105.924)	265.422	-5,69%
Taxes of previous years		11.153	-0,24%
Deferred tax assets/liabilities		2.020.581	-43,28%
Consolidated remuneration		2.238.717	-47,96%
Total	(1.105.924)	4.535.873	-97,17%

38. Basic and diluted earnings (loss) per share

As set forth in IAS 33, Mittel S.p.A. shows i) basic earnings per share calculated as net profit or loss for the year divided by the weighted average number of shares outstanding in the year and ii) diluted earnings calculated by adjusting profit or loss attributable to holders of ordinary equity instruments of 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 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 as at 31 December 2019 compared with the previous year, are as follows:

	31.12.2019	31.12.2018

Earnings/(loss) per share (in Euro)		
From income statement:		
- Basic	0,107	0,546
- Diluted	0,107	0,546
From comprehensive income:		
- Basic	0,107	0,538
- Diluted	0,106	0,538

Basic earnings or loss per share

During the year ended 31 December 2019, the number of shares outstanding changed as a result of the cancellation of treasury shares in portfolio, with a subsequent variation in the number of ordinary shares now without nominal value, as shown below:

Basic earnings/(loss) per share	**31.12.2019**	**31.12.2018**
(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	4.421.024	3.748.684
Average weighted number of shares outstanding at the end of the period	**85.768.392**	**79.298.299**

EUR		
Net profit/(loss)	**9.204.063**	**43.323.501**

EUR		
Basic earnings/(loss) per share	**0,107**	**0,546**

EUR		
Net comprehensive profit/(loss)	**9.136.459**	**42.670.990**

EUR		
Total basic comprehensive earnings/(loss) per share	**0,107**	**0,538**

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 31 December 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 Mittel S.p.A.'s management.
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 income statement and from the statement of comprehensive income as at 31 December 2019, compared with the previous year, is as follows.

Diluted earnings or loss per share		
(no. ordinary shares)		
Average weighted number of shares outstanding at the end of the period	85.768.392	79.298.299
plus shares required for:		
SARs plan	183.608	315.927
Potential dilution of ordinary shares	-	315.927
Average weighted number of shares at the end of the period	**85.952.000**	**79.614.226**

EUR		
Net profit/(loss)	**9.204.063**	**43.323.501**
Effect of subscriptions of potential new shares	-	-
Net profit/(loss) available to ordinary shareholders plus expected subscriptions	**9.204.063**	**43.323.501**

EUR		
Diluted earnings or loss per share	**0,107**	**0,544**

EUR		
Net profit/(loss)	9.136.459	42.670.990
Effect of subscriptions of potential new shares	-	-
Comprehensive profit/(loss) available to ordinary shareholders plus expected subscriptions	**9.136.459**	**42.670.990**

EUR		
Total diluted comprehensive earnings/(loss) per share	**0,106**	**0,538**

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 31

December 2019 which would have significantly changed the number of ordinary or potential ordinary shares outstanding at period end.

39. 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 Mittel S.p.A. as at 31 December 2019 was positive for EUR 49.425 thousand, as shown in the table below:

(Thousands of Euro)	**31.12.2019**	**31.12.2018**	**Variation**
Cash	7	7	0
Other cash and cash equivalents	137.800	161.566	(23.766)
Securities held for trading	-	-	-
Current liquidity	**137.807**	**161.574**	**(23.766)**
Current financial receivables	**48.693**	**71.411**	**(22.719)**
Current bank payables	-	(92)	92
Current portion of medium/long-term bank loans	-	-	-
Bonds	(2.089)	(44.844)	42.755
Other financial payables	(134)	-	(134)
- of which IFRS 16 financial liabilities	*(134)*	-	*(134)*
Current financial debt	**(2.223)**	**(44.936)**	**42.714**
Net current financial debt	**184.277**	**188.048**	**(3.771)**
Non-current bank payables	-	-	-
- Bank loans and borrowings expiring in the medium-term	-	-	-
- Bank loans and borrowings expiring in the long-term	-	-	-
Bonds issued	(129.308)	(129.256)	(52)
Other financial payables	(5.544)	-	(5.544)
- of which IFRS 16 financial liabilities	*(5.544)*	-	*(5.544)*
Non-current financial debt	**(134.852)**	**(129.256)**	**(5.596)**
Net financial position	**49.425**	**58.793**	**(9.367)**

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 include balances to/from related parties, are current financial receivables. For the details of these, please refer to note 41 of these financial statements.

40. Commitments and guarantees

As at 31 December 2019, the following commitments and guarantees were in place:

	31.12.2019	**31.12.2018**
Guarantees:		
commercial	5.999.869	6.636.233
Commitments:		
disbursement of funds	1.253.992	1.253.992
	7.253.861	**7.890.225**

Commercial guarantees refer mainly to sureties issued in favour of the Italian Revenue Agency for VAT receivables for which a refund was requested and/or offset for EUR 1.398 thousand on the company's own account and EUR 4.602 thousand on behalf of Group companies.
Commitments to disburse funds refer to the commitments for payments to be made into private equity funds and foreign investment vehicles.

41. Intercompany transactions and transactions with related parties

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 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 at arm's length and refer to:

	Directors, Statutory auditors and internal committees	Subsidiaries	Associates	Total
Non-current assets				
Financial receivables	-	23.506.380	3.275.351	**26.781.731**
Current assets				
Financial receivables	-	48.692.502	-	**48.692.502**
Sundry receivables and other assets	-	1.899.385	-	**1.899.385**
Current liabilities				
Sundry payables and other liabilities	611.019	46.331	-	**657.350**
Income statement				
Revenue	-	450.462	65.752	**516.214**
Other income	-	373.848	492.302	**866.149**
Costs for services	(834.416)	(5.118)	(73.335)	**(912.869)**
Personnel costs	(689.943)	-	(22.194)	**(712.137)**
Dividends	-	19.314.296	-	**19.314.296**
Financial income	-	489.158	375.351	**864.509**

- Non-current financial receivables refer to loans in place with the subsidiaries Industria Metallurgica Carmagnolese (I.M.C.) S.p.A. for EUR 5,9 million, Sport Fashion Service S.r.l. for EUR 4,0 and Mittel Design S.r.l. for EUR 13,2 million, as well as the associate Mittel Generale Investimenti S.r.l. for EUR 3,3 million.

- Current financial receivables refer to the loans granted to Gruppo Zaffiro S.r.l. for EUR 5,0 million, Mittel Investimenti Immobiliari S.r.l. for EUR 41,7 million, and Sport Fashion Service S.r.l. for EUR 2,0 million.

- The item "Sundry receivables and other assets" is mainly composed of receivables from companies in the tax consolidation of the consolidating company Mittel S.p.A.

- The item "Sundry payables and other current liabilities" refers to the amount due to directors and statutory auditors for fees accrued but still to be paid (EUR 0,6 million).

- The item "Revenue" refers mainly to the chargeback of administrative services and direct debit services provided to Group companies, the chargeback of lease payments on rental contracts signed with the subsidiaries Mittel Advisory S.r.l. and Mittel Investimenti Immobiliari S.r.l., and the sub-lease signed with the associate Mittel Generale Investimenti S.r.l., as well as the chargeback of the directors' and officers' liability policy signed by the Parent Company Mittel S.p.A.

- The item "Other income" refers to chargebacks for fees for the administrative body and supervisory body, and the capital gain deriving from the sale of one of the properties (for which reference should be made to the comprehensive details in the report on operations).

- The item “Costs for services” refers to fees paid to members of the administrative body for EUR 0,3 million, to members of internal committees for EUR 0,4 million, and fees to the Board of Statutory Auditors for EUR 0,1 million. 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 also includes costs due to the Pavia Ansaldo Law Firm (for which reference should be made to the comprehensive details in the report on operations).

- The item “Personnel costs” refers to the remuneration of the company’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.

- The item “Dividends” is composed of dividends from investments distributed for EUR 9,8 million by Ghea S.r.l. in liquidation, for EUR 7,5 million by Earchimede S.p.A. and for EUR 2,0 million by Mittel Investimenti Immobiliari S.r.l..

- The item “Financial income” refers mainly to interest income accrued in relation to Mittel Generale Investimenti S.r.l., for EUR 0,4 million, Zaffiro Firenze S.r.l., for EUR 0,2 million, and Industria Metallurgica Carmagnolese (I.M.C.) S.p.A., for EUR 0,2 million.

42. Additional disclosures on financial instruments and risk management policies

With reference to supplementary disclosures regarding financial instruments and the inherent risks required under 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 company has implemented to manage the exposure to financial risks are provided below.

42.1 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 uses 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 31 December 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:

Amounts in Euro	31 December 2019			31 December 2018		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets:						
- Investments measured at fair value through other comprehensive income	-	-	-	-	-	-
- Investments at fair value through profit or loss	-	12.106.211	1.746.898	-	13.594.859	1.963.669
- Other non-current securities	-	-	-	-	-	-
Financial assets measured at fair value held for trading:						
- Current securities held for trading	-	-	-	-	-	-
- Other receivables	-	-	-	-	-	-
- Trading derivatives	- -		-	- -		-
- Other financial assets	-	-	-	-	-	-
Total assets	**-**	**12.106.211**	**1.746.898**	**-**	**13.594.859**	**1.963.669**
Other financial liabilities						
- Hedging derivatives	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Completing the analyses required by IFRS 13, the types of financial instruments contained in the financial statement items as at 31 December 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.

Situation as at 31 December 2019

(amounts in EUR)

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:		Total Fair Value	Fair Value Hierarchy			Financial instruments at amortised cost	Financial statements total as at 31 December 2019
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Level 1	Level 2	Level 3	(B)	(A+B)
ASSETS								
Other non-current financial assets (a)	12.353.110	-	**12.353.110**	-	12.106.211	1.746.898	**-**	**12.353.110**
Non-current financial receivables (b)	-	-	**-**	-	-	-	**56.256.725**	**56.256.725**
Other receivables and financial assets (*) (b)	-	-	**-**	-	-	-	**144.741**	**144.741**
Current financial receivables (b)	-	-	**-**	-	-	-	**48.692.502**	**48.692.502**
Trade receivables (*) (b)	-	-	**-**	-	-	-	**6.755.563**	**6.755.563**
Current sundry receivables (*) (b)	-	-	**-**	-	-	-	**58.755**	**58.755**
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**137.807.344**	**137.807.344**
	12.353.110	**-**	**12.353.110**	**-**	**12.106.211**	**1.746.898**	**249.715.630**	**262.068.740**
LIABILITIES								
Bonds (current and non-current) (b)	-	-	**-**	-	-	-	**131.397.075**	**133.413.111**
Financial payables (current and non-current) (*) (b)	-	-	**-**	-	-	-	**5.677.737**	**5.677.737**
Trade payables (*) (b)	-	-	**-**	-	-	-	**1.599.818**	**1.599.818**
Sundry payables (*) (b)	-	-	**-**	-	-	-	**2.208.397**	**2.208.397**
	-	**-**	**-**	**-**	**-**	**-**	**140.883.027**	**142.899.063**

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.

Situation as at 31 December 2018

(amounts in EUR)

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:		Total Fair Value	Fair Value Hierarchy			Financial instruments at amortised cost	Unlisted investments measured at cost	Financial statements total as at 31 December 2018	Fair value as at 31 December 2018
	Income statement	*Equity in Other comprehensive profit (loss)*	(A)	Level 1	Level 2	Level 3	(B)	(C)	(A+B+C)	
ASSETS										
Other non-current financial assets (a)	14.058.528	-	**14.058.528**	-	13.594.859	1.963.669	**-**	**-**	**14.058.528**	14.058.528
Non-current financial receivables (b)	-	-	**-**	-	-	-	**60.428.120**	**-**	**60.428.120**	60.428.120
Non-current sundry receivables (*)	-	-	**-**	-	-	-	**145.106**	**-**	**145.106**	145.106
Current financial receivables (b)	-	-	**-**	-	-	-	**71.411.024**	**-**	**71.411.024**	71.411.024
Trade receivables (*)	-	-	**-**	-	-	-	**603.690**	**-**	**603.690**	603.690
Current sundry receivables (*)	-	-	**-**	-	-	-	**8.534.148**	**-**	**8.534.148**	8.534.148
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**161.573.502**	**-**	**161.573.502**	161.573.502
	14.058.528	**-**	**14.058.528**	**-**	**13.594.859**	**1.963.669**	**302.695.590**	**-**	**316.754.118**	316.754.118
LIABILITIES										
Bonds (current and non-current) (b)	-	-	**-**	-	-	-	**174.100.027**	**-**	**174.100.027**	173.036.689
Financial payables (current and non-current) (b)	-	-	**-**	-	-	-	**91.981**	**-**	**91.981**	91.981
Trade payables (*) (b)	-	-	**-**	-	-	-	**1.986.154**	**-**	**1.986.154**	1.986.154
Sundry payables (*) (b)	-	-	**-**	-	-	-	**3.969.939**	**-**	**3.969.939**	3.969.939
	-	**-**	**-**	**-**	**-**	**-**	**180.148.101**	**-**	**180.148.101**	179.084.763

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

(a) Available-for-sale financial assets measured at fair value with profits/losses posted to equity.
(b) Financial receivables and financial liabilities at amortised cost.

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 on a recurring basis are shown below:

I. Fair value measurement of financial assets and liabilities:

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 period. Thus, their fair value is classified in Level 1 of the hierarchy.

The fair value of other financial payables is included in Level 2 of the hierarchy and was measured using the discounted cash flow method. The main inputs used for that measurement are market interest rates at period end, adjusted to take account of the market expectations of default risk of the Company implicit in the prices of securities traded by the Company and the outstanding derivatives on Company payables.

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.

II. Fair value measurement of equities represented by non-controlling interests recorded in the portfolio of financial assets at fair value held for trading

As at 31 December 2019, there were no non-controlling interests in the portfolio of financial assets held for trading.

III. 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 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).
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 31 December 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 ended as at 31 December 2019, including profits/(losses) booked to the income statement, are shown below:

(in EUR)	Financial assets	Financial liabilities
As at 31 December 2018	**1.963.669**	**-**
Profits/(losses) recognised in the income statement	22.417	-
(Profit) losses recognised in other comprehensive income	-	-
Issues/Extinguishments	(239.188)	-
As at 31 December 2019	**1.746.898**	**-**

Financial assets measured at fair value level 3 refer to shares held in Equinox Two ScA (EUR 0,2 million), SIA-SSB S.p.A. (EUR 1,4 million), and Nomisma S.p.A. (EUR 0,1 million).

42.2 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 S.p.A.'s financial position are shown below, separately for the two comparison periods:

	IFRS 9 CATEGORIES			
Financial assets as at 31 December 2019	Loans and receivables	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through valuation reserve	Book value
Non-current financial assets:				
Investments	-	13.853.109	-	**13.853.109**
Bonds	-	-	-	**-**
Other financial assets	-	-	-	**-**
Non-current receivables:				**-**
Financial receivables	56.256.725	-	-	**56.256.725**
Sundry receivables	160.103	-	-	**160.103**
Receivables due from related parties	-	-		**-**
Receivables due from customers and other current commercial assets:				
Sundry receivables and other assets	7.428.751	-	-	**7.428.751**
Current financial assets:				
Financial receivables	48.692.502	-	-	**48.692.502**
Sundry receivables	-	-	-	**-**
Other financial assets	-	-	-	**-**
Hedging derivatives	-	-	-	**-**
Non-hedging derivatives	-	-	-	**-**
Cash and cash equivalents				
Bank and postal deposits	137.800.123	-	-	**137.800.123**
TOTAL FINANCIAL ASSETS	**250.338.204**	**13.853.109**	**-**	**264.191.313**

	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 valuation reserve	Book value
Non-current financial assets:				
Investments	-	15.558.528		**15.558.528**
Bonds	-	-	-	**-**
Other financial assets	-	-	-	**-**
Non-current receivables:				
Financial receivables	60.428.120	-	-	**60.428.120**
Sundry receivables		-	-	**-**
Receivables due from customers and other current commercial assets:				
Sundry receivables and other assets	9.281.201	-	-	**9.281.201**
Current financial assets:				
Financial receivables	71.411.025	-	-	**71.411.025**
Sundry receivables	-	-	-	**-**
Current financial assets	-	-	-	**-**
Non-hedging derivatives	-	-	-	**-**
Cash and cash equivalents				
Bank and postal deposits	161.573.502	-	-	**161.573.502**
TOTAL FINANCIAL ASSETS	**302.693.847**	**15.558.528**	**-**	**318.252.375**

Financial liabilities as at 31 December 2019	IAS 39 CATEGORIES Financial instruments at fair value	 Liabilities at amortised cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	-	-
Other financial liabilities	-	-	-
Sundry payables and other liabilities	-	-	-
Bonds	-	129.307.985	129.307.985
Current liabilities:			
Loans and borrowings from banks and other lenders	-	-	-
Trade payables	-	1.588.721	1.588.721
Sundry payables	-	-	-
Bonds	-	2.089.090	2.089.090
Other financial liabilities:			
Hedging derivatives	-	-	-
Non-hedging derivatives	-	-	-
TOTAL FINANCIAL LIABILITIES	**-**	**132.985.796**	**132.985.796**

Financial liabilities as at 31 December 2018	IAS 39 CATEGORIES Financial instruments at fair value	 Liabilities at amortised cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	-	-
Other financial liabilities	-	-	-
Sundry payables and other liabilities	-	-	-
Bonds	-	129.255.667	129.255.667
Current liabilities:			
Loans and borrowings from banks and other lenders	-	91.981	91.981
Trade payables	-	1.986.154	1.986.154
Sundry payables	-	3.144.819	3.144.819
Bonds	-	44.844.360	44.844.360
Other financial liabilities:			
Hedging derivatives	-	-	-
Non-hedging derivatives	-	-	-
TOTAL FINANCIAL LIABILITIES	**-**	**179.322.981**	**179.322.981**

Transfers between portfolios and reclassifications of financial assets

During 2019, the Company did not make any portfolio reclassifications.

42.3 Risk management policies

1. Credit risks

Credit risk represents the exposure of Mittel S.p.A. 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.
Mittel S.p.A.'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 into 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 were made with leading banks with high credit standing.
In order to minimise credit risk, the company 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.

Quantitative information

Credit exposures: gross and net values

The following table shows the total gross and net amounts of the Group's financial receivables for the year ended at 31 December 2019 and the prior year.

Type of exposures/amounts	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
Total as at 31 December 2019	**124.119.375**	**(19.141.301)**	-	**104.978.073**
Total as at 31 December 2018	**152.779.222**	**(20.940.077)**	**-**	**131.839.144**

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.

Cash and cash equivalents

Cash and cash equivalents of the company totalled EUR 137.807 thousand (EUR 161.574 thousand as at 31 December 2018) and are composed of bank deposits.
As regards the choice of counterparties for the management of temporary surpluses of cash and the stipulation of financial hedging contracts (derivative instruments), the company only uses contacts with a high credit standing.

In this regard, it should be noted that, as at 31 December 2019, no significant exposures to risks connected to a further deterioration in the overall financial context were highlighted.

Guarantees given and received

The carrying amounts as at 31 December 2019 and 31 December 2018 relating to the guarantees issued in favour of third parties and to commitments to disburse funds are shown below:

	31.12.2019	**31.12.2018**
Financial guarantees issued	-	-
Commercial guarantees issued	5.999.869	6.636.233
Irrevocable commitments to disburse funds	1.253.992	1.253.992
Commitments underlying credit derivatives	-	-
Other irrevocable commitments	-	-
	7.253.861	**7.890.225**

Commercial guarantees refer mainly to sureties issued in favour of the Italian Revenue Agency for VAT receivables for which a refund was requested and/or offset for EUR 1.398 thousand on the company's own account and EUR 4.602 thousand on behalf of Group companies.

Commitments to disburse funds refer to the commitments for payments to be made into private equity funds and foreign investment vehicles.

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.
Interest rate risk expresses the change in economic value of the intermediary, as a result of unexpected changes in interest rates with an impact on the bank portfolio, defined as the set of all assets and liabilities sensitive to interest rates and not classified in the trading portfolio.
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

Amounts in thousands of Euro

Item/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			20.658	31.713	-	3.885	56.257
Current financial receivables	48.693	-					48.693
Available-for-sale financial assets							-
Financial assets at fair value							-
	48.693	**-**	**20.658**	**31.713**	**-**	**3.885**	**104.949**
Liabilities							
Non-current bank loans			-				-
Current bank loans	-	-					-
Bonds	2.089			129.308			131.397
Other financial liabilities - related parties	-						-
	2.089	**-**	**-**	**129.308**	**-**	**-**	**131.397**
Financial derivatives							
Hedging derivatives							-
Trading derivatives							-
	-	**-**	**-**	**-**	**-**	**-**	**-**
	46.603	**-**	**20.658**	**(97.595)**	**-**	**3.885**	**(26.448)**

The figures relating to the financial statements as at 31 December 2018 are provided below:

Amounts in thousands of Euro

Item/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			26.392	29.983	-	4.053	60.428
Current financial receivables	71.411	-					71.411
Available-for-sale financial assets							-
Financial assets at fair value							-
	71.411	**-**	**26.392**	**29.983**	**-**	**4.053**	**131.839**
Liabilities							
Non-current bank loans			-				-
Current bank loans	92	-					92
Bonds	44.844			129.256			174.100
Other financial liabilities - related parties	-						-
	44.936	**-**	**-**	**129.256**	**-**	**-**	**174.192**
Financial derivatives							
Hedging derivatives							-
Trading derivatives							-
	-	**-**	**-**	**-**	**-**	**-**	**-**
	26.475	**-**	**26.392**	**(99.272)**	**-**	**4.053**	**(42.353)**

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 Company 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.

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 Company'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 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 Company has no operations in place in areas subject to currency risks.

Qualitative/quantitative information

The company 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 reference 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 31 December 2018;
- 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 31 December 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	**31 December 2019**		
	Fixed rate	Variable rate	Total
Bank loans	-	-	**-**
Bonds	131.397	-	**131.397**
Other financial liabilities	-	-	**-**
Total	**131.397**	**-**	**131.397**

Amounts in thousands of Euro	31 December 2018		
	Fixed rate	Variable rate	Total
Bank loans	-	92	**92**
Bonds	174.100	-	**174.100**
Other financial liabilities	-	-	**-**
Total	**174.100**	**92**	**174.192**

Amounts in thousands of Euro	31 December 2019		
	Fixed rate	Variable rate	Total
Financial receivables	22.823	77.783	**100.605**
Other financial assets	-	-	**-**
Total	**22.823**	**77.783**	**100.605**

Amounts in thousands of Euro	31 December 2018		
	Fixed rate	Variable rate	Total
Financial receivables	18.880	112.959	**131.839**
Other financial assets	-	-	**-**
Total	**18.880**	**112.959**	**131.839**

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, 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

	31 December 2019		31 December 2018	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Deposits and cash	137.807	0,41%	161.574	0,43%
Other financial receivables - third parties	29.684	2,85%	28.374	2,82%
Other financial receivables - related parties	70.879	3,00%	90.367	3,75%
Total	**238.371**	**1,49%**	**280.315**	**1,74%**

Amounts in thousands of Euro

	31 December 2019		31 December 2018	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Bank loans	-		92	n.s.
Bonds	131.397	5,88%	174.100	4,44%
Total	**131.397**	**5,88%**	**174.092**	**4,46%**

Currency risk – Sensitivity analysis

As at 31 December 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 Company 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 Company 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 bonds operation carried out during the year, the medium term financial debt component, as extensively highlighted in other sections of this report. The Company also has adequate financial flexibility, as it has additional sources or potential sources of financing through the availability of bank credit lines and loans.

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	134	-			134
Bonds	4.847	4.847	4.847	131.965	146.506
Other financial liabilities	-				-
Total	**4.981**	**4.847**	**4.847**	**131.965**	**146.640**

4. Information on equity

The shareholders have always taken care to provide the company with sufficient equity to allow it to carry out its activities and to cover risks.
For this reason, a portion of the profits achieved has been carried forward by the company over the years.
The objectives of Mittel S.p.A. as regards the management of capital are based on the protection of the company's ability to continue to ensure profitability for shareholders and to retain an efficient capital structure.

43. Publishing of the fees for auditing and other non-auditing services pursuant to Consob Issuers' Regulation, art. 149-duodecies

With regard to the disclosures pursuant to art. 149-duodecies of the Consob Issuers’ Regulation, for information on the fees paid to the independent auditors KPMG S.p.A., reference should be made to note 55 to the consolidated financial statements.

Milan, 29 April 2020

for the Board of Directors

The Chairman

(Michele Iori)

Statement on the separate financial statements 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 separate financial statements as at 31 December 2019.

It is also certified that the separate financial statements for the year ended as at 31 December 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.

The Report on Operations includes a reliable analysis of the business performance and profit (loss), as well as the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 29 April 2020

Director in charge of the risk management and internal control system

Anna Francesca Cremascoli

Manager in charge of financial reporting

Pietro Santicoli

Report of the Board of Statutory Auditors pursuant to art. 153 of Italian Legislative Decree no. 58/1998 and art. 2429 of the Italian Civil Code