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www.mittel.it

Consolidated half-yearly financial report

(1 January 2020 – 30 June 2020)

135th company year

Contents

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

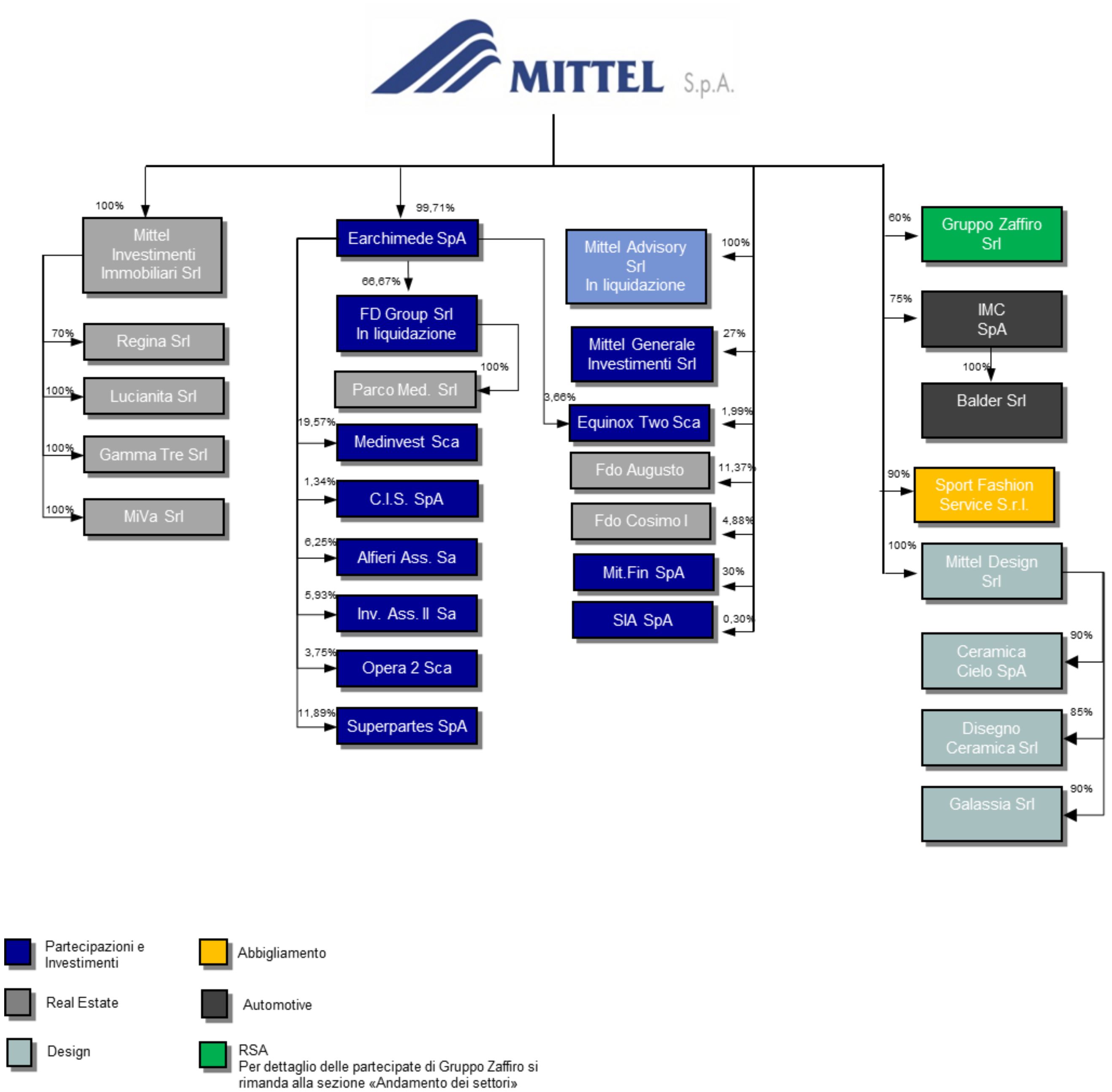
Independent Auditors

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 25 September 2020



Directors' Report on Operations

Introduction

It is well-known that, from the start of January 2020, the national and international scenario was impacted by the spread of the Coronavirus (COVID-19) and the subsequent restrictions to contain it, put in place by the Government authorities of the countries concerned. These unprecedented emergency events had devastating impacts on the global economic system and on the entire social fabric. In this context, the Mittel Group is demonstrating strong solidity and has suffered from quite limited capital effects, with steadfast financial and operating performance and no need for the industrial subsidiaries to request new borrowings, except for development projects already planned, and even proceeding in the month of July 2020 with the voluntary early repayment of a significant portion of the bond issued by the Parent Company, as described in more detail below.

The negative impact on economic results was relatively limited as well, despite the significant commercial and production effects of the emergency during the months of the lockdown (particularly March and April) and despite the fact that the global pandemic context emerged within an already naturally unfavourable half-year due to ordinary seasonal phenomena characterising some of the Group's sectors of operations.

The Group's management, also thanks to the solidity guaranteed by its business model, has been effectively balancing diverging needs throughout the various stages of the crisis, ensuring that its decisions are inspired by rigour, prudence and a focus on the safety of employees and all company stakeholders in the management of the most delicate moments of the health crisis, and trust and proactiveness in the current business resumption phase, with closer attention to concrete economic measures to be implemented for a great relaunch, always while ensuring security and perceiving risks, but also facing challenges and taking advantage of the opportunities that will surely arise in its areas of operations in the upcoming months.

Having now fully completed the reorganisation phase of the 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, the Group, after the important strategic acquisitions made in previous years, is currently operating in four investment verticals which, despite the difficult situation that has arisen globally with the explosion of the health emergency, 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.

In the first half of 2020, even within the delicate reference context, dealt with, as described, with the extreme prudence required due to future uncertainties linked to this particular historical moment, the Group's operations continued in any event with a strong commitment and led to an additional significant result on the path of growth of the subsidiary Zaffiro Group. Indeed, on 30 June the Pogliano Milanese property was sold to the

French real estate fund Primonial, with a gross amount of around EUR 21 million collected (greenfield transaction); this transaction made it possible to achieve a gross gain of around EUR 4,5 million (in large part not recognised in the accounts exclusively as a result of the provisions of IFRS 16, which for properties sold and leased back, requires the capital gain to be spread throughout the lease period). Please recall that last year, Zaffiro Group 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 for 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.

Furthermore, compatible with this difficult moment and taking into consideration the important results already achieved in that process in previous years, the operating cost containment measures and the valuation of non-core assets in the portfolio continued, in order to generate new funding for investments. In particular, with regard to disposals, the sale process for the traditional portfolio of non-strategic assets continued, which during the year mainly involved property inventories and some financial receivables.

Lastly, after the repayment of the residual amount of the bond of EUR 42 million maturing in July 2019, in July 2020, the Mittel Board of Directors, after carefully and positively assessing: (i) the significant cash and cash equivalents present in Mittel S.p.A. and in the system of the subsidiary holdings; (ii) the success to date achieved in management activities and asset-for-asset recovery of receivables and non-strategic real estate; (iii) the generation of cash by the group of subsidiary industrial companies, even within an extremely complex economic context due to the Covid-19 health emergency and the resulting repercussions on consumption and industrial activities; (iv) the lack of any requirements on the part of the subsidiary industrial companies for additional loans (from the banking system or from the parent company Mittel) to be linked to the emergency situation mentioned above; decided to proceed with the partial voluntary early repayment of the "Mittel S.p.A. 2017-2023" Bond for a nominal amount of EUR 50,6 million out of a total of EUR 129,5 million. The resolution passed by the Board of Directors, within a context characterised by significant demand for liquidity not only by the majority of the industrial and commercial system, but also by the Sovereign States themselves, represents a strong sign of the faith of Mittel's management in the capital and financial strength of the company and the subsidiary industrial companies.

After the partial voluntary early repayment, the Mittel Group continues to hold consistent cash and cash equivalents and, thanks to its solidity, to maintain strong financial independence to support operating requirements as well as development programmes. It will also continue with determination with its asset-for-asset recovery of financial resources from residual non-core assets, to be made available for the Group's strategic requirements. 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 industrial holding company, 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

MITTEL

Group Performance

Please note that, starting from the previous year, due to the application of IFRS 16 (Leases), the consolidated accounting numbers have experienced significant changes, showing trends that require some explanation for a better understanding of business performance. In fact, this standard, which involves, very briefly, the recognition in fixed assets of the right of use for leased assets and the inclusion in liabilities of the related financial payable, has a considerable effect on the statement of financial position and income statement balances (and in particular those of the Nursing Home sector, characterised by long-term lease contracts), resulting in the following main effects on the data as at 30 June 2020:

- a higher value of EUR 201,6 million of fixed assets (right of use on property, plant and equipment, primarily properties);
- an increase in the consolidated net financial position of EUR 215,7 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 5,5 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 1,1 million on the Group's ordinary net result, linked to the net prevalence of depreciation on the right of use and financial expenses on financial liabilities recognised on the reversal of lease payments;
- as a result of the specific accounting rules for sale and lease-back transactions envisaged by the new standard, a capital gain of EUR 3,8 million was reversed in the accounts (EUR 2,8 million net of the effects for deferred tax assets recognised, of which EUR 1,7 million pertaining to the Group), which was earned during the half-year as part of the described periodic post-development sale transactions on the real estate component in 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.

The net result of the Group during the half, a loss of EUR 5,5 million, was therefore negatively influenced by the effects of the application of IFRS 16, for a total of EUR 2,8 million (1,1 million on recurring items and 1,7 million due to the non-recognition of gains on disposal, which in any event starting from last year are becoming a systematic corollary of the new nursing home development activity), an amount joined by significant write-downs, totalling EUR 1,9 million (entirely pertaining to the Group), recognised on receivables and non-core financial assets as a result of the rigid valuation policies applied by the Group in application of IFRS 9, in this unique emergency situation. Furthermore, the result for the first half of the year includes around EUR 1,0 million in financial expenses linked to the portion of the bond subject to voluntary early repayment in August. Net of these negative impacts, the net result would have basically reached the break-even point, despite the repercussions of the lockdown period on ordinary operating margins of the industrial subsidiaries and ordinary seasonal phenomena characterising the Sport Fashion Service business segment in the first half of the year.

The Group equity as at 30 June 2020 amounted to EUR 214,9 million, a decrease compared to EUR 220,1 million as at 31 December 2019, primarily as a result of the recognition of the loss for the period.

The consolidated net financial position is negative for EUR 243,6 million, an improvement from EUR 251,9 million recorded as at 31 December 2019. This improvement is even more significant considering this number prior to the application of IFRS 16, excluding financial liabilities correlated with rights of use on lease agreements. This amount went from EUR 45,7 million as at 31 December 2019 to EUR 24,3 million at 30 June 2020, benefitting amongst the most significant items from the considerable collection by the Zaffiro Group as part of the transaction for the disposal of the real estate component of the Pogliano nursing home.

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 performance. These amounts, even though not provided for by IFRS/IAS, are supplied in compliance with the indications in Consob Communication no. 6064293 of 28 July 2006 and CESR Recommendation dated 3 November 2005 (CESR/05-178b).

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

Main economic figures of the Group

(Thousands of Euro)	**30.06.2020**	**30.06.2019**
Revenue and other income	69.401	68.056
Increases (decreases) in inventories	(4.131)	(9.890)
Net revenue	**65.270**	**58.166**
Purchases, provision of services, sundry costs	(34.904)	(31.254)
Personnel costs	(23.217)	(17.402)
Operating costs	**(58.120)**	**(48.656)**
Operating margin (EBITDA)	**7.150**	**9.510**
Amortisation/depreciation, allocations and adjustments to non-current assets	(8.485)	(6.058)
Share of income (loss) of investments	(158)	(60)
Operating result (EBIT)	**(1.493)**	**3.392**
Profit (loss) from financial management	(5.829)	(4.991)
Result of management and valuation of financial assets and receivables	(1.942)	(1.053)
Profit (loss) before taxes	**(9.264)**	**(2.652)**
Taxes	3.518	3.459
Net profit (loss) for the year	**(5.745)**	**807**
Profit (loss) pertaining to non-controlling interests	(223)	458
Profit (loss) pertaining to the Group	**(5.523)**	**349**

For greater clarity, the following table shows the impact of the application of IFRS 16 on EBITDA.

(Thousands of Euro)	**30.06.2020**	**30.06.2019**
Operating margin (EBITDA) post IFRS 16	**7.150**	**9.510**
Lease payments	(5.504)	(4.071)
Operating margin (EBITDA) before IFRS 16 before capital gains	**1.646**	**5.439**
Sale & leaseback capital gains	3.821	-
Operating margin before IFRS 16 with capital gains	**5.467**	**5.439**

Similarly, a reconciliation of the Group result that would have been recorded without the application of IFRS 16 is reported below.

(Thousands of Euro)	30.06.2020	30.06.2019
Profit (loss) pertaining to the Group post IFRS 16	**(5.523)**	**349**
Lease payments	(5.504)	(4.072)
Amortisation/depreciation	4.361	3.099
Financial expenses	3.505	2.222
Deferred tax assets	(662)	(348)
Profit (loss) pertaining to non-controlling interests	(602)	(230)
Ordinary profit (loss) pertaining to the Group before IFRS 16	**(4.423)**	**1.020**
Sale & leaseback capital gains	3.821	-
Deferred tax assets	(1.066)	-
Profit (loss) pertaining to non-controlling interests	(1.102)	-
Profit (loss) pertaining to the Group before IFRS 16	**(2.770)**	**1.020**

Before moving 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 30 June 2020 (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., Galassia S.r.l. and Disegno Ceramica S.r.l., and the Clothing sector, in which Sport Fashion Service S.r.l. operates) is particularly significant, equivalent to EUR 64,9 million (EUR 55,5 million in the comparison period), corresponding to roughly 94% of consolidated revenue and other income (equal to a total of EUR 69,4 million, compared to EUR 68,1 million in the comparison period).

During the half, despite the relevant negative impacts deriving from the lockdown period, the natural unfavourable seasonal trends of operations in the Clothing Sector during the first half of the year and the concentration in the second half of the year of an important order already acquired in the Automotive sector, these industrial sectors in any event contributed to generating a broadly positive consolidated operating margin, equivalent to EUR 7,2 million (EUR 9,5 million as at 30 June 2019), as a result of the following net contributions by sector:

- *Nursing home*: EBITDA of EUR 5,9 million (EUR 5,6 million as at 30 June 2019), positively influenced by the application of IFRS 16, which resulted in lease instalments no longer being recognised as operating costs (EUR 4,4 million on 30 June 2020 and EUR 3,1 million on the comparison period), but which also prevented the recognition of capital gains for EUR 3,8 million on *assets* sold and leased back; please also note the significant presence of nursing home development and start-up costs correlated with the positive performance of the Group's ambitious growth project; in addition, the health emergency prevented or slowed new entries and entailed higher costs, penalising margins for the period, as moreover already set forth in the budgets approved after the outbreak of the pandemic;
- *Design*: EBITDA of EUR 4,2 million (EUR 3,9 million as at 30 June 2019), up slightly thanks to the entry within the scope of consolidation of Galassia and Disegno Ceramica (absent during the comparison period), despite the significant negative impacts deriving from the lockdown, which in March and April entailed, after a very positive first two months of the year, a halt in production activities until the initial days of May, with a subsequent decisive resumption;
- *Automotive*: EBITDA of EUR 1,4 million (EUR 3,5 million as at 30 June 2019), a significant decline due to the negative trend in sector demand within an overall macroeconomic scenario of contingent weakness, aggravated by the ongoing health emergency; please note, in any event, the acquisition of a significant order, currently in the completion phase, which will entail a net improvement in the contribution of this sector in the second half of the year;
- *Clothing*: negative EBITDA of EUR 1,5 million (absent during the comparison period), linked to the naturally unfavourable seasonal trends characterising the sector, which makes the contribution of the first half of the year insignificant compared to annual amounts;
- *Real Estate*: negative EBITDA of EUR 0,6 million (negative for EUR 0,4 million as at 30 June 2019), with revenues down (EUR 4,3 million compared to EUR 12,4 million in the comparison period) due to

the substantial completion of sales of the residential units held and pending the completion of works on the additional important residential project under construction in Milan (Via Metauro) and the initiation of works on another residential project located in Como (via Regina Teodolinda); please note that already in the current phase of completion of the construction, the Metauro project met with great commercial success in terms of preliminary sale agreements finalised;
- *Equity and investments*: negative EBITDA of EUR 2,2 (negative for EUR 3,1 million as at 30 June 2019), which benefits from the strong reduction in holding costs realised in previous years and the absence of non-recurring expenses present in the comparison period.

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 30 June 2020 had a balance of EUR 69,4 million (EUR 68,1 million in the comparison period). This balance was the combined result of the following factors:
  (i) revenue recognition for EUR 66,9 million (EUR 66,1 million as at 30 June 2019); the following sectors primarily contributed to this total:
    - the Nursing Home sector (Gruppo Zaffiro and subsidiaries) for EUR 25,3 million (EUR 20,0 million in the comparison period);
    - the Design sector (Ceramica Cielo, Galassia and Disegno Ceramica) for EUR 24,4 million (EUR 26,3 million attributable solely to Ceramica Cielo in the comparison period);
    - the Automotive sector (IMC and Balder) for EUR 9,8 million (EUR 18,8 million in the comparison period);
    - the Clothing Sector for EUR 2,8 million (absent in the comparison period), which contributed for a half-year seasonally marked by insignificant turnover compared to annual figures;
    - the Real Estate sector for EUR 4,3 million (EUR 12,3 million in the comparison period);
  (ii) the recognition of other income for EUR 2,5 million (EUR 2,0 million in the comparison period), mainly attributable to the Design sector for EUR 1,4 million and the Nursing Home Sector for EUR 0,8 million.

- **Increases (decreases) in inventories:** the negative contribution recorded during the period, amounting to EUR 4,1 million (EUR 9,9 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 3,9 million (EUR 11,0 million as at 30 June 2019);
  (ii) the increase in property inventories for costs capitalised and other changes for EUR 0,9 million (EUR 0,5 million as at 30 June 2019);
  (iii) the net increase in inventories of the Automotive sector for EUR 0,8 million (item absent in the comparison period).
  (iv) the net reduction of the Automotive sector for EUR 1,4 million (net increase of EUR 0,1 million in the comparison period).
  (v) the net reduction in the Design sector for EUR 0,5 million (increase of EUR 0,5 million in the comparison period).

- **Costs for purchases, provision of services, sundry costs**: this item, totalling EUR 34,9 million (EUR 31,3 million as at 30 June 2019), was heavily influenced by the operating costs of industrial investees and includes costs for purchases of EUR 18,0 million (EUR 18,1 million in the comparison period), costs for services of EUR 15,4 million (EUR 11,7 million as at 30 June 2019) and sundry costs of EUR 1,5 million (in line with the comparison period). The main contributors to this item were the following sectors:
  (i) Automotive sector for EUR 5,2 million (EUR 12,6 million in the comparison period);
  (ii) the Design sector for a total of EUR 13,7 million (EUR 9,2 million in the comparison period, linked only to Ceramica Cielo);
  (iii) the Nursing Home sector for EUR 8,6 million (EUR 5,7 million in the comparison period);
  (iv) the Clothing sector for EUR 4,5 million (contribution absent in the comparison period);
  (v) the Parent Company Mittel for EUR 1,3 million (EUR 1,5 million in the comparison period);
  (vi) the Real Estate sector for EUR 1,7 million (EUR 1,9 million in the comparison period).

- **Personnel costs**: the item reported a balance of EUR 23,2 million (EUR 17,4 million as at 30 June 2019), of which EUR 11,6 million deriving from the Nursing Home sector (EUR 9,2 million in the comparison period), EUR 7,4 million relating to the Design sector (EUR 3,5 million in the comparison period, to which only Ceramica Cielo contributed), EUR 2,0 million attributable to the Automotive sector (EUR 2,9 million in the comparison period), EUR 1,2 million relating to the Parent Company Mittel

(EUR 1,6 million in the comparison period) and EUR 1,0 million relating to the Clothing Sector (contribution absent in the comparison period).

- **Amortisation/depreciation, allocations and adjustments to non-current assets**: the item showed a total balance as at 30 June 2020 of EUR 8,5 million (EUR 6,1 million as at 30 June 2019), due primarily to depreciation of rights of use recognised due to the application of IFRS 16, equal to EUR 4,4 million (EUR 3,1 million in the comparison period), of which EUR 3,3 million pertaining to the Nursing Home sector (EUR 2,4 million in the comparison period) and the remaining portion related to depreciation on other tangible assets held by the operating companies (EUR 2,1 million for Automotive sector, EUR 1,4 million for Design sector and EUR 0,5 million for Nursing Home sector).

- **Profit (loss) from financial management**: presented a net loss of EUR 5,8 million (loss of EUR 5,0 million in the comparison period); the item is attributable to financial expenses of EUR 3,5 million recognised in accordance with IFRS 16 (EUR 3,2 million pertaining to the Nursing Home sector) and the remaining EUR 2,6 million is mainly for expenses on financial debt (Mittel S.p.A. bond 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 1,6 million) is related to financial income for EUR 0,8 million (mainly due to interest accrued on residual financial receivables held) and financial expenses of EUR 2,4 million, entirely related to the outstanding bond, which, as specified in other sections of this report, in August 2020 was subject to voluntary early repayment for a portion equal to a nominal amount of EUR 50,9 million (out of a total of 123,5 million), with the resulting elimination for future periods of costs for interest on that component, during the half-year equal to roughly EUR 1,0 million.

- **Profit (loss) from management and valuation of financial assets, loans and receivables**: the item made a negative contribution to the consolidated income statement of EUR 1,9 million (negative for EUR 1,3 million as at 30 June 2019) and is explained by net value adjustments on financial assets of EUR 1,3 million, due primarily to a significant write-down on a mutual real estate fund held, and adjustments on loans, for a total of EUR 0,6 million; these write-downs were recognised on non-core assets as a result of the strict valuation policies applied by the Group in application of IFRS 9 in this unique emergency situation.

- **Taxes**: this item made a positive contribution of EUR 3,5 million to the consolidated income statement (value aligned with that of the comparison period) and is explained primarily by the net effect: of the cost for current IRAP of EUR 0,4 million, the allocation of deferred tax assets of EUR 1,9 million (primarily relating to items recognised as a result of IFRS 16), the release of deferred tax liabilities of EUR 0,9 million (correlated primarily with the depreciation of gains not redeemed on property, plant and equipment and capital gains from previous years broken down into instalments for IRES purposes) and taxes from previous years of approximately EUR 1,0 million, including significant amounts correlated with the tax measures that concerned the 2019 IRAP balances.

Main financial and equity figures of the Group

(Thousands of Euro)	30.06.2020	31.12.2019
Intangible assets	105.113	105.502
Property, plant and equipment	257.592	260.557
- of which IFRS 16 rights of use	*201.648*	*193.382*
Investments	5.956	6.113
Non-current financial assets	44.647	49.821
Assets (liabilities) held for sale	-	-
Provisions for risks, employee severance indemnity and employee benefits	(9.504)	(9.661)
Other non-current assets (liabilities)	(170)	71
Tax assets (liabilities)	4.422	2.290
Net working capital (*)	67.551	74.239
Net invested capital	**475.607**	**488.932**
Equity pertaining to the Group	(214.930)	(220.127)
Non-controlling interests	(16.980)	(16.875)
Total equity	**(231.910)**	**(237.002)**
Net financial position	**(243.697)**	**(251.930)**
- of which IFRS 16 financial liabilities	*(220.325)*	*(206.182)*
Net financial position before IFRS 16	**(23.372)**	**(45.748)**

(*) 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 in the Nursing Home, Design, Automotive 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 105,1 million (EUR 105,5 million as at 31 December 2019). 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 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 in 2019 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 the financial statements as at 31 December 2019, goodwill was recognised, still on a provisional basis (pending the completion of the PPA process) relating to the acquisitions: (i) of Galassia S.r.l., for EUR 6,7 million, reduced as at 30 June 2020 to EUR 4,4 million primarily as a result of the partial allocation to the trademark and due to the reduction of the acquisition price against the settlement of the claim submitted to the selling counterparties based on several contractual warranties they provided at the time of the purchase; (ii) of Disegno Ceramica S.r.l. (EUR 2,1 million); the amounts therefore became definitive as at 30 June 2020 with the completion of the correlated PPA processes set forth in 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 its nature as a transaction under common control), determined the 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 257,6 million (EUR 260,6 million as at 31 December 2019), of which EUR 201,6 million for IFRS 16 rights of use (EUR 181,9 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 56,0 million, was heavily influenced by the contribution from the Automotive sector, amounting to EUR 18,4 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 13,9 million (an amount which declined due to the disposal of the Pogliano Milanese property, whose implicit right of use in the subsequent lease-back continued to be recognised, under rights of use, at the original value net of the capital gain), and from the Design sector, which contributed EUR 23,0 million.

Investments measured using the equity method totalled EUR 6,0 million (EUR 6,1 million as at 31 December 2019) 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 44,6 million (EUR 49,8 million as at 31 December 2019) and refer: i) for EUR 30,2 million (EUR 33,5 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 14,5 million (EUR 16,4 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 9,5 million (EUR 9,7 million as at 31 December 2019). In particular, as at 30 June 2020, this item is composed of *Provisions for personnel* for EUR 7,5 million (EUR 7,7 million in the comparison period) and of *Provisions for risks and charges* for EUR 2,0 million (EUR 1,9 million in the comparison period). The main contributors to the item *Provisions for personnel* were from the Nursing Home sector (EUR 2,3 million), Design sector (EUR 3,1 million), the Parent Company Mittel S.p.A. (EUR 1,1 million), the Automotive sector (EUR 0,5 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 4,4 million (EUR 2,3 million as at 31 December 2019), and is composed of the sum of current tax assets of EUR 0,6 million (EUR 1,6 million as at 31 December 2019) and deferred tax assets of EUR 13,2 million (EUR 11,4 million in the comparison period), offset by deferred tax liabilities of EUR 8,7 million (EUR 9,1 million in the comparison period) and current tax liabilities for EUR 0,7 million (EUR 1,6 million in the comparison period).

Net working capital amounted to EUR 67,6 million (EUR 74,2 million as at 31 December 2019). The item is composed of: (i) the value of Inventories for EUR 74,5 million, attributable for EUR 48,8 million to property inventories (a decline compared to EUR 51,9 million in the comparison period as a result of sales during the period), for EUR 15,9 million to the Design sector (EUR 16,2 million in the comparison period), for EUR 4,2 million to the Automotive sector (EUR 5,6 million in the comparison period) and for EUR 5,6 million to the Clothing sector (EUR 4,8 million in the comparison period); (ii) sundry receivables and other current assets amounting to EUR 41,6 million (EUR 50,2 million in the comparison period), mainly comprised of the contribution from the Design sector for EUR 16,5 million (EUR 17,1 million as at 31 December 2019), the Nursing Home sector for EUR 11,8 million (EUR 10,4 million as at 31 December 2019), the Automotive sector for EUR 5,1 million (EUR 6,2 million as at 31 December 2019) and the Clothing sector for EUR 4,5 million (EUR 13,7 million in the comparison period); and (iii) Sundry payables and other current liabilities for EUR 48,6 million (EUR 54,5 million in the comparison period), to which the main contributors were the Design sector for EUR 16,8 million (EUR 20,0 million as at 31 December 2019), the Nursing Home sector for EUR 16,5 million (EUR 7,6 million as at 31 December 2019), the Automotive sector for EUR 4,7 million (EUR 7,4 million as at 31 December 2019) and the Clothing sector for EUR 2,7 million (EUR 6,6 million in the previous year).

As a result, **net invested capital** amounted to EUR 475,6 million (EUR 488,9 million as at 31 December 2019), a figure that includes the rights of use recognised pursuant to IFRS 16 for a total of EUR 201,6 million, as previously explained. Invested capital is financed by equity for EUR 231,9 million (EUR 237,0 million in the comparison period) and by the net financial position for EUR 243,7 million (EUR 251,9 million as at 31 December 2019), which is also influenced by the application of IFRS 16 (financial payables for leases totalling EUR 220,3 million).

Equity pertaining to the Group amounted to EUR 214,9 million (EUR 220,1 million as at 31 December 2019), while that pertaining to non-controlling interests amounted to EUR 17,0 million (EUR 16,9 million as at 31 December 2019).

Given the performance of consolidated equity and profit figures described above, the negative **net financial position** amounted to EUR 243,7 million (EUR 251,9 million as at 31 December 2019). The detailed breakdown of the item is provided below. As previously discussed, the considerable level of debt is attributable to the application of IFRS 16, which as at 30 June 2020 led to the recognition of incremental financial payables for EUR 220,3 million. Net of this component, the net financial position is equal to EUR 23,4 million, marking an improvement compared to EUR 45,7 million, attributable to the significant generation of financial resources by the industrial investees and the process of increasing the value of non-core assets (it is important to note the collection during the half correlated with the disposal of the real estate component of the Pogliano nursing home to the Primonial fund).

Statement relating to the net financial position

(Thousands of Euro)	**30.06.2020**	**31.12.2019**
Cash	122	103
Other cash and cash equivalents	184.558	173.062
Securities held for trading	-	-
Current liquidity	**184.680**	**173.165**
Current financial receivables	**3**	**25**
Bank loans and borrowings	(61.538)	(71.805)
Bonds	(131.397)	(131.397)
Other financial payables	(235.444)	(221.918)
Financial debt	**(428.380)**	**(425.120)**
Net financial position	**(243.697)**	**(251.930)**
- of which IFRS 16 financial liabilities	*(220.325)*	*(206.182)*
Net financial position before IFRS 16	**(23.372)**	**(45.748)**

Informativa per settore di attività

Ciesse Piumini

MITTEL

Information by business segment

MITTEL S.p.A.

RSA	DESIGN	Automotive	Real Estate	Abbigliamento
Gruppo Zaffiro	cielo, Galassia, Disegno Ceramica	IMC	Mittel Investimenti Immobiliari	Ciesse Piumini

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 its majority shareholding in Ceramica Cielo S.p.A. (90%), as well as Disegno Ceramica S.r.l. (80%) and Galassia Group S.r.l. (90%) from June 2019, the Group operates in the design, production and marketing, at the global level, of toilets, wash basins, sanitary fixtures and accessories for high-quality, designer bathroom furnishings;
- **Automotive:** through its majority shareholding in IMC - Industria Metallurgica Carmagnolese S.p.A. (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 investment 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.

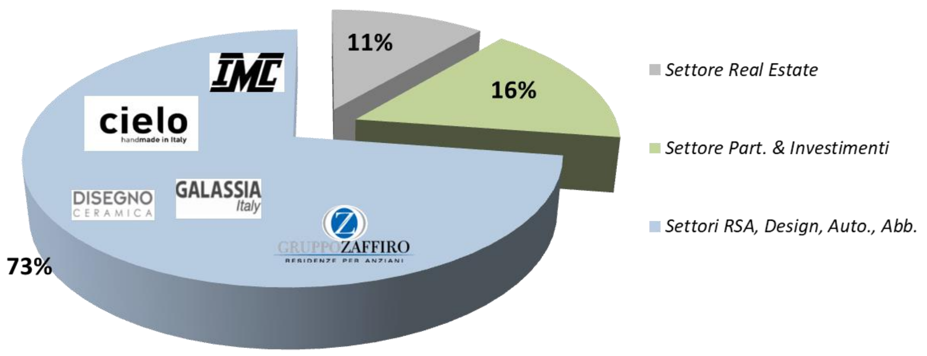
Segment groupings are defined by the following companies (only main companies are listed):

- Nursing homes: Gruppo Zaffiro S.r.l. and subsidiaries;
- Design: 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);
- Automotive**:** IMC - Industria Metallurgica Carmagnolese S.p.A. and Balder S.r.l.;
- Clothing**:** Sport Fashion Service S.r.l.;

- <u>Real Estate</u>: Mittel Investimenti Immobiliari S.r.l. and subsidiaries; Parco Mediterraneo S.r.l.; Augusto and Cosimo I real estate funds;
- <u>Equity and Investments</u>: Mittel S.p.A. and Earchimede S.p.A.

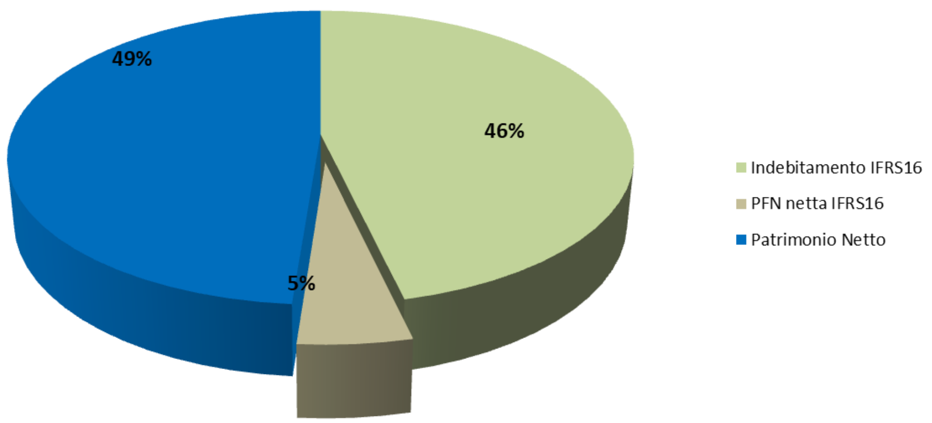
- INVESTED CAPITAL BY BUSINESS SEGMENT -

EUR 475,6 million



- FUNDING SOURCES -

EUR 475,6 million



Income statement by business segment and contributions to Group results

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

30 June 2020 (6 months)

Figures in EUR mln	30/06/2020										
AGGREGATE / CONSOLIDATED	**Net revenue**	**Operating costs**	**EBITDA**	**Amortisation, depreciation and write-downs**	**Share of income (loss) of investments**	**Profit (loss) from financial management**	**Result of financial assets and receivables**	**Profit (loss) from non-recurring transactions**	**Taxes**	**Profit (loss) pertaining to non-controlling**	**Profit (loss) pertaining to the Group**
Private Equity and Investments Secto	0,4	-2,6	-2,2	-0,2	-0,2	-1,3	-0,4	-	1,1	-0,0	-3,1
Nursing Home Sector	26,1	-20,3	5,9	-3,7	-	-3,2	-	-	1,7	0,3	0,4
Design Sector	25,3	-21,1	4,2	-1,5	-	-0,3	-0,1	-	-0,7	0,1	1,5
Automotive Sector	8,5	-7,2	1,4	-2,8	-	-0,8	-	-	0,5	-0,4	-1,2
Clothing Sector	3,9	-5,4	-1,5	-0,2	-	-0,2	-0,2	-	0,5	-0,2	-1,4
Real Estate Sector	1,3	-1,9	-0,6	-0,0	-	-0,0	-1,3	-	0,3	-0,0	-1,6
IC ELIMINATION	-0,2	0,2	-	-	-	0,0	-	-		-	
TOTAL CONSOLIDATED	**65,3**	**-58,1**	**7,1**	**-8,5**	**-0,2**	**-5,8**	**-1,9**	**-**	**3,5**	**-0,2**	**-5,5**

30 June 2019 (6 months)

Figures in EUR mln	30/06/2019										
AGGREGATE / CONSOLIDATED	**Net revenue**	**Operating costs**	**EBITDA**	**Amortisation, depreciation and write-downs**	**Share of income (loss) of investments**	**Profit (loss) from financial management**	**Result of financial assets and receivables**	**Profit (loss) from non-recurring transactions**	**Taxes**	**Profit (loss) pertaining to non-controlling interests**	**Profit (loss) pertaining to the Group**
Private Equity and Investments Secto	0,5	-3,6	-3,1	-0,1	-0,1	-2,4	0,5	-	4,1	-0,1	-0,9
Nursing Home Sector	20,6	-14,9	5,6	-2,8	-	-1,5	-	-	-0,2	0,3	0,8
Design Sector	16,6	-12,7	3,9	-0,6	-	-0,1	-	-	-1,0	0,3	1,8
Automotive Sector	19,0	-15,5	3,5	-2,7	-	-0,9	-	-	0,0	-0,0	-0,1
Real Estate Sector	1,8	-2,2	-0,4	-	-	-	-1,5	-	0,6	-	-1,3
IC ELIMINATION	-0,2	0,2	-	-	-	-	-	-	-	-	-
TOTAL CONSOLIDATED	**58,3**	**-48,7**	**9,5**	**-6,1**	**-0,1**	**-5,0**	**-1,1**	**-**	**3,5**	**0,5**	**0,3**

Structure of the consolidated statement of financial position by business segment

30 June 2020

Figures in EUR mln	30/06/2020										
AGGREGATE / CONSOLIDATED	**Net working capital**	**Property, plant and equipment and**	**Other assets (liabilities)**	**Assets (liabilities) held for sale**	**Invested Capital**	*Financed by*	**Net financial position**	**Equity**	*of which*	**Equity pertaining to non-controlling**	**Equity pertaining to the Group**
Private Equity and Investments Secto	6,1	70,2	4,4	-	80,8		49,4	130,2		1,9	128,3
Nursing Home Sector	-8,7	243,3	0,4	-	234,9		-218,7	16,2		6,5	9,7
Design Sector	13,6	42,8	-4,8	-	51,6		-20,3	31,3		2,7	28,6
Automotive Sector	3,2	49,0	-4,4	-	47,8		-32,0	15,7		3,9	11,8
Clothing Sector	7,8	22,3	-0,5	-	29,6		-10,0	19,6		2,0	17,6
Real Estate Sector	45,6	10,7	-0,3	-	56,0		-37,1	18,9		0,0	18,9
TOTAL CONSOLIDATED	**67,6**	**413,3**	**-5,3**	**-**	**475,6**		**-243,7**	**231,9**		**17,0**	**214,9**

31 December 2019

Figures in EUR mln	31/12/2019										
AGGREGATE / CONSOLIDATED	**Net working capital**	**Property, plant and equipment and intangible assets**	**Other assets (liabilities)**	**Assets (liabilities) held for sale**	**Invested Capital**	*Financed by*	**Net financial position**	**Equity**	*of which*	**Equity pertaining to non-controlling interests**	**Equity pertaining to the Group**
Private Equity and Investments Secto	4,1	49,1	4,8	-	58,0		75,1	133,2		1,9	131,3
Nursing Home Sector	-5,1	242,8	-2,9	-	234,8		-219,6	15,2		6,1	9,1
Design Sector	11,7	43,8	-3,9	-	51,6		-22,2	29,4		2,4	27,0
Automotive Sector	2,8	51,5	-4,4	-	50,0		-32,6	17,4		4,3	13,0
Clothing Sector	11,8	22,5	-0,6	-	33,7		-12,5	21,2		2,1	19,1
Real Estate Sector	48,9	12,2	-0,2	-	60,8		-40,1	20,7		0,1	20,7
TOTAL CONSOLIDATED	**74,2**	**422,0**	**-7,3**	**-**	**488,9**		**-251,9**	**237,0**		**16,9**	**220,1**

Performance of Nursing Home, Design, Automotive and Clothing sectors

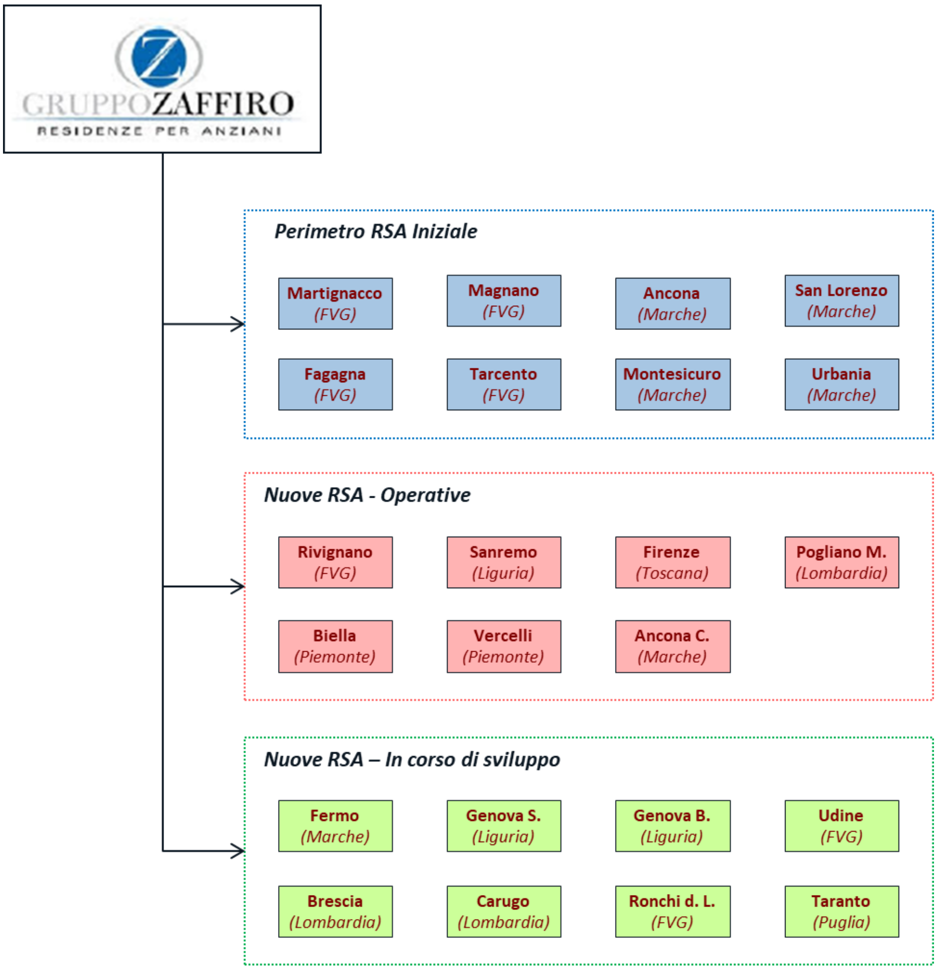
In the unique reference context arising from the health emergency, the Mittel Group has paid particular attention to managing the repercussions of the emergency on the operations of subsidiaries, in line with the objective of creating value for the majority investments in the portfolio (Gruppo Zaffiro S.r.l, Nursing Home sector; Ceramica Cielo S.p.A., Galassia S.r.l. and Disegno Ceramica S.r.l., Design sector, 90%, Industria Metallurgica Carmagnolese S.p.A., Automotive sector, and Sport Fashion Service S.r.l., Clothing sector), by strengthening and strategically developing these investments.

Therefore, while directing readers to other sections of this report for details on the measures taken to manage the pandemic (particularly the introduction and the specific dedicated section, under the main events for the period, which also provides details by business segment), information is provided below relating to the main additional events concerning the investees in the various sectors and the impacts in terms of the results for the period.

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") (today equal to 60%), 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 figure below shows the Zaffiro Group's nursing homes.



Until 2019, the breakdown shown above corresponded to the Group's corporate structure. Thanks to the significant reorganisation launched in mid-2019 and completed at the end of the year, the nursing homes are currently held by 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., into which all nursing homes previously managed through distinct corporate vehicles were incorporated. The first half of 2020 was the first period of operations of the new corporate structure, which allows for 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 for considerable cost savings 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, bringing 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.

In the first half of 2020, on 30 June 2020, the sale of the Pogliano Milanese property, previously subject to development, was finalised. This transaction, which entailed a significant capital gain, took place within the framework of the important agreement signed in June 2019 with the French real estate fund Primonial 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. Please recall that the contract specifically envisages that Primonial will hold the real estate component with the operational management of the facilities entrusted to Zaffiro Group, making it possible to accelerate the Group's growth plans, aiming to reach management of over 5,000 beds in the coming years, by continuing the growth strategy based on careful search and selection of the highest quality facilities.
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.

Nursing Home Sector *Figures in EUR mln*	**30/06/2020**	**30/06/2019**
Net revenue	26,1	**20,6**
Operating costs	(20,3)	**(14,9)**
EBITDA after IFRS 16	**5,9**	**5,6**
IFRS effect reversal (lease restoration)	(4,4)	**(3,1)**
EBITDA before IFRS 16 before capital gain	**1,5**	**2,5**
IFRS effect reversal (capital gains restoratior	3,8	
MARGIN before IFRS 16 with capital gain	**5,3**	**2,5**

The book value of EBITDA for the half is equal to EUR 5,9 million (up compared to EUR 5,6 million in the comparison period), while the same margin calculated by restoring the costs for lease payments (reversed in the IFRS 16 accounting approach) is equal to EUR 1,5 million, down compared to the comparison period primarily as a result of the increase in costs for the development of worksites and the start-up phases, aside from the health emergency, which obviously also entailed, in addition to increased costs for PPE, sanitisation and personnel, a decline in revenues linked to the temporary impossibility of allowing new entries or, in certain nursing homes, slowdowns in entries.

The overall margin before the application of IFRS 16 instead experienced a net increase, to EUR 5,3 million, if the described Primonial transaction (disposal of Pogliano Milanese) is also considered, through which another important capital gain was realised (after those of the second half of the previous year), not recognised in the accounts exclusively due to the reversal, in application of IFRS 16, of the portion of the capital gain linked to the right of use relating to the subsequent lease-back.

As at 30 June 2020, the net financial position was EUR 218,7 million and was heavily affected by the first-time adoption of IFRS 16. Excluding the share of debt linked to the mere application of that standard, equal to EUR 199,8 million, the net financial debt as at 30 June 2019 amounts to EUR 19,0 million, a net reduction from EUR

34,9 million at 31 December 2019, benefitting primarily from the considerable collection at the end of the half due to the disposal of the Pogliano Milanese property. Lastly, it should be noted that the value of the net financial position is influenced by the cost of progress of additional 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) 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:

Design Sector *Figures in EUR mln*	**Ceramica Cielo**	***Galassia***	***Disegno***	**Sector Total 30/06/2020**	*%*	**Sector Total 30/06/2019**	*%*
Net revenue	*12,7*	*8,4*	*4,2*	*25,3*		***16,6***	
Operating costs	*(9,9)*	*(7,3)*	*(3,9)*	*(21,1)*		***(12,7)***	
EBITDA	***2,8***	***1,1***	***0,3***	***4,2***		***3,9***	
Effect IFRS 16 (rent)				**(0,2)**		***(0,1)***	
EBITDA before IFRS 16				***4,0***	*16%*	***3,8***	*23%*

The results for the first half of 2020 of all three companies belonging to the sector are influenced by the health emergency linked to the spread of Covid-19, which inevitably required all production activities to come to a halt from March 2020 to the beginning of May.

The revenues as at 30 June 2020 of Ceramica Cielo amounted to EUR 12,7 million, down by only 19% compared to the comparison period, when they explained the entire contribution to the consolidated results, as Mittel acquired two other companies in this sector, Galassia and Disegno, only at the end of the half-year.
The company's performance was impacted in the first half of 2020 primarily by the decline in orders in the domestic market, which was struck by the pandemic already starting at the end of February. Please note that

in June, July and August, in response to the two-month shutdown of activities, the Company recorded a 13% increase in revenues compared to the same quarter of the prior year, marking in particular revenue growth in the domestic market, where retailers resumed operations on 18 May.
During the period, the Company continued to generate cash, financially supporting customers who so requested and punctually meeting commitments to suppliers in addition to anticipating unemployment benefits to employees.

As regards Galassia, revenues amounted to EUR 8,4 million, down by 25% compared to 30 June 2019. In the first half of 2020, revenue trends were impacted primarily by the decline in orders in the foreign market, which impacted total revenues by 32%.
Please note that in June, July and August, in response to the nearly two-month shutdown of activities, the Company recorded a 16% increase in revenues compared to the same quarter of the prior year, marking in particular revenue growth in the domestic market (+31%), where retailers resumed operations on 18 May.
From the financial perspective, please note the virtuous process of cash generation by the Company, despite Covid, which in the first 6 months of the year generated cash of EUR 1,6 million.

Lastly, Disegno Ceramica suffered from a more significant decline in turnover (-34%), which reached EUR 3,8 million. This figure reflects the effects of the pandemic as well as a decline in orders in the US market, which the company is handling by strengthening the furnishings market in Italy and Europe.

Overall, the sector generated total revenues during the half of EUR 25,3 million and a net IFRS 16 EBITDA of 4 million (EBITDA margin of 16%).

From an equity perspective, the sector incorporates the effects of the acquisitions made last year (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 20,3 million (EUR 19,1 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. (EUR 13,2 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.

Please note that already in 2019, the negative macroeconomic scenario heavily penalised the Automotive market, impacting IMC's performance. 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. Although in 2020 the framework has been considerably aggravated by the pandemic, the company, which in the first half of the year recorded a strong decline in turnover, acquired an important order which will lead to a net recovery in the second half of the year.

Although the order acquired confirms the soundness of the business resumption process, it should obviously be taken into consideration that, in the automotive sector in particular, development activities are characterised by a long-term horizon and the potential benefits of recently implemented commercial projects will therefore fully materialise over the next few years.

Automotive Sector *Figures in EUR mln*	**30/06/2020**	*%*	**30/06/2019**	*%*
Net revenue	8,5		19,0	
Operating costs	(7,2)		(15,5)	
EBITDA	1,4		3,5	
Effect IFRS 16 (rent)	(0,7)		(0,7)	
EBITDA before IFRS 16	0,6	*7%*	2,8	*18%*

Sector EBITDA for the half was EUR 1,4 million, compared to EUR 3,5 million in the comparison period (EUR 0,6 million prior to the application of IFRS 16, compared to EUR 2,8 million recorded in the first half of 2019). The reduction in the margin 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, heavily aggravated by the production lockdown triggered by the health emergency.

As at 30 June 2020, the net financial position was EUR 32,0 million, including EUR 11,7 million deriving from the application of IFRS 16. Excluding this amount, net financial debt as at 30 June 2020 amounted to EUR 20,3 million, of which EUR 8,0 million to shareholders.

Clothing Sector

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.

Below are the results (adjusted on the basis of international accounting standards) achieved by the company in the first half of 2020.

Clothing Sector *Figures in EUR mln*	**30/06/2020**
Net revenue	3,9
Operating costs	(5,4)
EBITDA	**(1,5)**
Effect IFRS 16 (rent)	(0,2)
EBITDA before IFRS 16	**(1,7)**

Naturally unfavourable seasonal trends characterising the company's sector of operations makes the contribution of the first half of the year insignificant compared to annual amounts.

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 the short term, although it suffered from an inevitable suspension during the lockdown period, and for which sales activities have already begun, with excellent feedback from the market.

Real Estate Sector (figures in EUR/000)	**30/06/2020**	**30/06/2019**
Sales and other revenue	4.283	12.366
Change in inventories	(3.050)	(10.582)
Operating costs	(1.867)	(2.190)
Gross Operating Margin	**(634)**	**(406)**
Property Inventories	**48.798**	**54.322**

In this context, despite the effects of the health emergency, the positive Group real estate portfolio disposal trend continued, with revenues of EUR 4,3 million realised in the period, which followed two years 2018 and 2019 which were particularly positive in terms of sales and which marked a turning point in the process of selling the historic real estate assets. Sales during the half refer to residential initiatives located in: (i) Milan, Piazzale Santorre di Santarosa for EUR 1,6 million; (ii) Arluno (Milan) for EUR 1,2 million; and (iii) Paderno Dugnano (Milan) EUR 1,4 million.

The capital invested by the Group in the real estate sector, reflecting the trends described above, amounted to EUR 56 million at 30 June 2020, a continuous reduction compared to EUR 60,8 million as at 31 December 2018 and more than EUR 100 million when the new corporate bodies changed their strategic direction. The value of real estate funds (Augusto and Cosimo I Fund) is equal to EUR 10,7 million, corresponding to the Net Asset Value as at 30 June 2020, as communicated by the manager Castello SGR. This value, a reduction of EUR 1,4 million compared to 31 December 2019, reflects a significant reduction in value on the Augusto Fund, which joins the value adjustment recorded as at 31 December 2019.

Performance of the Equity and Investments Sector

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

In the first half of 2020, compatible with the difficult reference context, the process of recovering financial resources continued with the reduction of financial receivables from EUR 33,5 million to EUR 30,2 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 declined to zero in the first half of 2020.

Fatti di rilievo intervenuti nell'esercizio

Significant events in the first half of the year

The spread of the Covid-19 emergency and regulatory interventions

It is well-known that, from the start of January 2020, the national and international scenario was impacted by the spread of the 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 provide economic support to families, workers and companies (Decree Law no. 18 of 17 March 2020 #CuraItalia - Heal Italy, converted into law on 24 April 2020);
- 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);
- business liquidity support measures ("Liquidity" Decree Law no. 23 of 8 April 2020, converted into law on 5 June 2020);
- urgent measures on health and safety, in favour of workers and families, as well as measures to support the economy and businesses by introducing tax simplifications for taxpayers, grants and the establishment of ad hoc funds for companies, private individuals and regional entities (#Relaunch Decree Law no. 34 of 19 May 2020);
- measures for the simplification of public and building contracts, businesses, environment and the green economy, as well as for the spread of digital administration (#Simplification Decree Law no. 76 of 16 July 2020);
- additional urgent measures to support and relaunch the economy (Decree Law no. 104 of 14 August 2020).

Given the exceptional circumstances, for which there is no historical precedent, the supranational and monetary authorities have also issued ad hoc measures to address the economic uncertainties deriving from Covid:

- for example, the European Commission adopted a Temporary Framework to enable the Member States to fully rely on the flexibility laid out by regulations on State aid in order to support the economy within the context of the Covid-19 epidemic;
- the European Union took measures such as: temporary suspension of the Stability Pact in order to enable national governments to best handle the economic consequences provoked by the pandemic, raising the threshold of State aid permitted for businesses in difficulty and creating a EUR 37 billion package to help companies, the workforce and healthcare systems impacted by the emergency;
- following the decisions taken during the governing council meetings held in March and June, the ECB adopted a package of expansionary measures and, on 4 June, announced the macroeconomic scenarios.

The European Securities and Markets Authority (ESMA) issued a series of publications, with a view to providing indications to issuers on how to provide information to the market; specifically:

- on 11 March 2020, it recommended that issuers of financial instruments provide transparency on the effective and potential impacts of the pandemic on financial standing and economic results, also referring to the importance of ensuring the normal continuation of business activities with a view to business continuity;
- on 25 March 2020, it issued several instructions concerning the accounting implications of the economic support measures adopted by EU member states, directing attention to IFRS 9 on the calculation of expected credit losses (ECL);
- the publication of 20 May 2020 again promotes transparency in the periodic disclosure to be provided to the market, in order to highlight the implications of the pandemic; in this regard, ESMA moreover

highlights the need for issuers to provide updated information and implications on the financial position, performance and cash flows.

On markets and financial issuers, CONSOB has also issued several recommendations; namely:

- on 9 April, referring to the ESMA recommendations, it issued “Warning Notice no. 6/20”, addressed to members of the administration and control bodies and managers in charge of financial reporting to highlight the need to observe the principles overseeing the process of generating financial reporting;
- on 16 July 2020, it published “Warning Notice no. 8/20” to draw the attention of the players involved in the process of generating half-yearly financial reporting to the recommendations made by ESMA in the Public Statement of 20 May 2020, mentioned above, in particular as regards: valuations pursuant to IAS 36 (asset impairment), the description of the uncertainties and significant risks connected to the pandemic, especially if they are such so as to call into doubt the business continuity of the issuers, the information to be provided in the interim reports on operations in relation to the impacts, including in the future, on strategic planning and on plan targets, on economic performance, the financial position, cash flows and the measures adopted or planned to face and mitigate the impacts of the epidemic on activities and on the economic results, indicating the relative implementation status.

Furthermore, on 29 May 2020, the International Organization of Securities Commissions (IOSCO), the international organisation that supervises the financial markets, also encouraged the disclosure by financial issuers of the impacts correlated with Covid-19, indispensable elements to allow the market to take aware investment decisions and therefore guarantee the proper functioning of the capital market; in continuity with the recommendations of ESMA and CONSOB, IOSCO urges issuers to provide exhaustive disclosure on how the impact of Covid-19 has affected performance, the financial position and cash flows characterising the issuer and on how the strategy and company objectives have been modified to deal with and mitigate the impact of the pandemic.

Covid-19: the Group’s response

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. After the peak of the pandemic in March and April, very rigid protocols were maintained with a view to returning to a (new) normal to be able to safely allow relatives and friends to visit guests in our facilities; the facilities were reopened to visitors in compliance with the guidelines of healthcare and governmental institutions.

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. Following these closures, some Group companies made recourse, when the prerequisites were met, to the economic measures laid out by the Decrees. Following the re-openings taking place after the lockdown, the safety of customers remained the primary objective, so stores were ready to satisfy the needs of consumers, focusing on the human factor and turning attention, when possible, to new digital technologies; the Group companies were capable of guaranteeing the best hygiene and safety conditions, while also evaluating the most appropriate methods for revising their model to be more consistent with this new normal.

This situation, still constantly evolving, had 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 relative effects of which are not easy to quantify.

With the progressive spread of the epidemic, Mittel began to closely monitor the external situation to evaluate and oversee risks and their possible impacts on the consolidated economic and capital situation, with a view to confirming the Group's capacity to handle the uncertainties of the changed scenario and to mitigate the risks deriving from the contingent situation. Although it is difficult to estimate the impacts of economic developments conditioned by the effectiveness of the measures adopted by the national and European institutions to support the recovery, the Group has evaluated the relevant effects on future business and operating activities while also monitoring the economic, capital and financial values of the Group and its actual data.
The sensitivity analyses performed, also assuming reductions of revenue within a reasonable range, within a scenario of uncertainty, did not bring to light significant issues in terms of the impairment test on the consolidated half-yearly financial statements.

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.

Governance and corporate events

On 26 June 2020, the Shareholders of Mittel S.p.A., which held the Shareholders' Meeting using telecommunications tools, as permitted by art. 106, paragraph 2 of Decree Law 18/2020, converted into Law no. 24/2020, decided:

- to approve the Directors' Report on Operations and the Financial Statements for the year ended 31 December 2019, as well as the proposal to carry forward the profit for the year of EUR 9.204.063;
- to approve, pursuant to art. 123-ter, paragraphs 3-bis and 3-ter, of Legislative Decree 58/1998 (the Consolidated Law on Finance), Section I of the Report on the remuneration policy and on compensation paid, concerning remuneration for the year 2020 and the relative adoption and implementation procedures; the Shareholders' Meeting, pursuant to art. 123-ter, paragraph 6 of the Consolidated Law on Finance also expressed its opinion in favour of Section II of the above-mentioned Report on the compensation paid in 2019, specified therein;
- to confirm as Director Mr Gabriele Albertini until the approval of the financial statements as at 31 December 2021, recognising to him the same remuneration included within the total amount determined by the Ordinary Shareholders' Meeting of 28 January 2019.

The Board of Directors confirmed the fulfilment of the independence requirements established by the Consolidated Law on Finance and the Corporate Governance Code by Mr Gabriele Albertini, who will continue to perform the roles assigned to him as a member of the "Committee for Related-party Transactions" and the "Remuneration and Appointments Committee".

On 22 July 2020, the Board of Directors of Mittel S.p.A. approved the adaptation of the Articles of Association to regulatory provisions introduced by Law no. 160/2019, which entailed several changes to the Consolidated Law on Finance and the Issuers' Regulations on the criteria for ensuring gender balance in the composition of the Board of Directors and the Board of Statutory Auditors.
The Board of Directors of Mittel S.p.A. approved the amendment, specifically, of articles 15.7 and 31.4 of the Articles of Association.

Additional significant events

On 30 June 2020, the sale of the Pogliano Milanese property, previously subject to development, was finalised. This transaction, which entailed a significant capital gain, took place within the framework of the important agreement signed in June 2019 with the French real estate fund Primonial. Please recall that the agreement 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.

Significant events after 30 June 2020

Subsequent to 30 June 2020, the date to which this Half-Yearly Financial Report refers, and until 25 September 2020, the date of its approval by the Board of Directors of Mittel S.p.A., no significant events took place such so as to influence the consolidated economic and financial situation described.

For informational purposes, note that on 23 July 2020, the Mittel Board of Directors, after carefully and positively assessing: (i) the significant cash and cash equivalents present in Mittel S.p.A. and in the system of the subsidiary holdings; (ii) the success to date achieved in management activities and asset-for-asset recovery of receivables and non-strategic real estate; (iii) the generation of cash by the group of subsidiary industrial companies, even within an extremely complex economic context due to the Covid-19 health emergency and the resulting repercussions on consumption and industrial activities; (iv) the lack of any requirements on the part of the subsidiary industrial companies for additional loans (from the banking system or from the parent company Mittel) to be linked to the emergency situation mentioned above; decided to proceed with the partial voluntary early repayment of the "Mittel S.p.A. 2017-2023" Bond (ISIN IT0005257784) for a nominal amount of EUR 50,6 million out of a total of EUR 129,5 million. The resolution passed by the Board of Directors, within a context characterised by significant demand for liquidity not only by the majority of the industrial and commercial system, but also by the Sovereign States themselves, represents a strong sign of the faith of Mittel's management in the capital and financial strength of the company and the subsidiary industrial companies.

In February and April 2020, Mittel Design S.r.l. sent requests for price adjustment to the sellers of Galassia S.r.l. in relation to some matters regarding the inventory, uncollected receivables and other expenses emerging in the course of 2019 but attributable to the year 2018. In the subsequent months, analyses were carried out, including with the support of specialised consultants, on the receivables as well as on the inventory subject to the price adjustment request, in order to come to a compromise between the parties. In July, a settlement agreement was defined with the recognition of EUR 1.023.220 in favour of Mittel Design S.r.l. The decision to come to an agreement derives primarily from the desire to continue on the virtuous path that Galassia S.r.l. demonstrated it had undertaken in recent months, within a situation of alignment of interests and agreement with the company's top management. Please recall that two of the selling shareholders still hold the position of non-controlling shareholder and Chief Executive Officer and Sales Manager.

On 3 August 2020, the Chief Executive Officer of Disegno Ceramica S.r.l., Mr Marco Carabelli, holder of 20,00% of the share capital of that company, exercised the irrevocable put option with respect to Mittel Design S.r.l. at a pre-established price of EUR 440.000 concerning 5,00% of the share capital of Mittel Design S.r.l. The exercise of the option represents the execution of the final phase of the investee acquisition transaction, as that step was defined already in the phase of structuring that transaction, as a price component deferred over time and exclusively in favour of the non-controlling shareholder.

On 21 September 2020, Mittel Investimenti Immobiliari S.r.l. began to execute the agreement entered into with the company Nessi & Majocchi S.p.A. regarding the share capital increase of Regina S.r.l., reserved in full to the company from Como through a contribution in cash. Currently, the share capital of Regina S.r.l. is 70% held by Mittel Investimenti Immobiliari S.r.l. and 30% by Nessi & Majocchi S.p.A. This transaction lays the bases for the construction of a residential building in the area located in Como at via Regina Teodolinda no. 23, with roughly 3.000 square metres of gross floor surface area.

Business outlook for the year

As described in other sections of this report, despite the difficult emergency situation under way (Covid-19) and the ensuing restrictive measures to limit it, which impacted the timing for the enactment of some of its planned strategic actions, the Group never stopped enhancing its investee companies and seeking out additional investment opportunities. In the first half of 2020 in particular, the Group directed its efforts towards consolidating objectives reached last year in terms of the creation of value in the interest of all Shareholders, having undertaken, as is well known, additional investments in the course of 2019 with high medium/long-term income prospects.

The Group's reaction to this unprecedented crisis and the numerous measures issued by national and international institutions to mitigate its impact was immediate, calling for specific activities in response to the Covid-19 emergency situation; in particular, the management intensified and will continue to carry out monitoring activities, on a continuous basis, on the situation of uncertainty in which the external scenario requires it to operate.

The evolution of the Group's results is obviously correlated with the performance of the sectors in which the strategic shareholdings operate, as well as the trend in the real estate market and in the financial markets, to which the returns of the remaining assets (moreover declining further) managed by non-industrial companies are linked. However, as can be clearly seen in the analysis of the half-yearly data, the strong solidity demonstrated by the Group against events during the half-year made it possible to limit financial impacts, which were quite restricted, and highlight steadfast financial and operating performance, also limiting the negative impact on the economic results, despite the significant commercial and production effects of the emergency during the months of full lockdown and despite the fact that the global pandemic context emerged within an already naturally unfavourable half-year due to ordinary seasonal phenomena characterising some of the Group's sectors of operations. It is moreover important to underline that the Group's equity and financial strength also ensures significant autonomy in support of the operating needs and development programmes of the Group.

Therefore, barring a second wave of Covid-19, we expect the second half of the year to clearly improve compared to the first, with Group results in the upcoming months that will surely be able to benefit from the full incorporation of the growth process launched in the Nursing Home and Design sectors and the new Clothing sector, only partially consolidated in 2019 (as a result of the acquisition date) and in the first half of 2020 (due primarily to the emergence of the peak of the health emergency and the naturally seasonal nature of the Clothing sector).

In more detail, the following important aspects are highlighted:

- the aggregated turnover data available for the months subsequent to the end of the half provide the initial confirmations of the decisive recovery recorded in the wake of the lockdown period;
- the Nursing Home sector will see a healthy recovery as soon as the post-Covid regulatory limitations on new entries is lifted, which explain the lower average occupancy of the facilities recorded in the first half of the year;
- in the Automotive sector, an important order was recently acquired that is capable of significantly impacting turnover and profit margins in the second half of the year;
- the subsidiary Sport Fashion Service generates its turnover and the correlated operating margins in the second half of the year due to the natural seasonal nature of this sector;
- the reduction of holding costs has had a significant impact and will continue to do so in the future, specifically the voluntary early repayment - in August - of a portion of the bond maturing in 2023, which joins the full repayment - in July of last year - of the other bond previously outstanding.

As described exhaustively, the management is continuing with its actions intended to protect the Group and mitigate the possible negative effects on results for the year, aiming to reinforce current investments. In conclusion, the management confirms that, compatible 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 consolidating the existing investments and the strategies for further development will also continue in the coming months, aimed at creating value in the long term for all shareholders.

Main ongoing legal proceedings and disputes

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

With regard to the known credit for EUR 12,8 million held by Mittel S.p.A. in relation to So.Fi.Mar International S.A. and Alfio Marchini by virtue of the purchase by So.Fi.Mar of bare ownership of the 222.315 shares of Finaster S.p.A. (today Finaster S.p.A. in liquidation), which took place in the year ended 30 September 2005, Mittel S.p.A. obtained the arbitration award on 15 March 2016, with which the Board of Arbitrators ordered So.Fi.Mar International S.A. to pay Mittel S.p.A. the entire amount due to the latter for a total amount of EUR 12.782.298 as principal, plus interest up to 31 July 2013 of approximately EUR 316 thousand and default interest from 31 July 2013 up to the actual date of payment. The Court of Arbitration also ordered So.Fi.Mar International S.A. to pay Mittel S.p.A. around EUR 128 thousand in its legal fees and approximately EUR 149 thousand as Milan Chamber of Arbitration costs and arbitrator fees incurred by Mittel S.p.A. However, the Court of Arbitration declared that Alfio Marchini, the controlling party of So.Fi.Mar International S.A. at the time of the events, did not have standing to be sued.
On 26 May 2016, following filing of the award by Mittel, the Court of Milan issued the enforcement order for the arbitration award.
In order to lay claim to the So.Fi.Mar International S.A. assets in Luxembourg, on 15 July 2016 Mittel S.p.A. obtained an exequatur order from the Luxembourg court. In accordance with this order, Mittel S.p.A. filed writs of attachment against So.Fi.Mar International SA with 13 of the largest Luxembourg and Italian banks in Luxembourg, attachments that were suspended by the Luxembourg judge on the grounds that in November 2016 So.Fi.Mar International SA and Mr. Marchini appealed the exequatur order that was part of the arbitration award. After the confirmation of the exequatur order from the arbitration award, the enforcement proceedings were resumed and then closed following the declaration of bankruptcy of So.Fi.Mar 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. The petition was accepted. In the meantime, an appeal was filed against the bankruptcy declaration, which was rejected, with the resulting confirmation of the ruling declaring bankruptcy.
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.p.A.'s claims and requesting that Mittel S.p.A. be sentenced pursuant to art. 96 of the Italian Code of Civil Procedures. As a result of the preliminary proceedings, the Judge determined that the case was ready for final judgement and set the hearing date on 1 October 2019 for the presentation of closing remarks. At the above-mentioned hearing, the parties outlined their respective conclusions and the case was adjourned for a decision. With ruling no. 2737 of 11 May 2020, the Court of Milan, accepting the demand of Mittel, having confirmed the liability of Mr Marchini, ordered him to pay Mittel the amount of EUR 13.098.895,72 plus default interest as of 31 July 2013 until full payment of the balance, plus the reimbursement of procedural expenses. This ruling has not yet become final, as the term for challenging it will end on 11 December 2020. In any event the ruling is enforceable and, on that basis, at the end of July 2020 Mr Marchini was served with the order for payment.

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.

As the term has ended for any appeal before the Court of Cassation, the second instance ruling should be deemed final and definitive.

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 analytically quantified at present, as also specified in the paragraph "Business outlook for the year", to which reference should be made. However, it should be noted that the sensitivity analyses carried out during the half-year, also assuming reductions in revenues within reasonable ranges, albeit in a scenario of significant uncertainty, do not highlight considerable issues in terms of impairment tests for the condensed half-yearly consolidated financial statements.
As regards the second part of the current year, within the environment of uncertainty characterising the current performance of the economy, the markets and perceived sovereign debt risk, compared to the first part of the year, not wholly unsimilar conditions can be assumed in the performance of ordinary operations. The result will be impacted by aspects which, with respect to the results incorporated within the half-year under review, on the basis of available information, cannot be projected in a definitive manner as, although there has been a substantial improvement in health emergency and economic trends compared to the previous months, the Group will in any event be operating within a context of uncertainty, in which developing any type of detailed forecast remains complex.

As at 25 September 2020, it should not be overlooked that the second half of the year 2020 under way will still 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. Projections for 2020 and 2021, already burdened by various risks for growth (geopolitical tensions, trade conflicts, economic activity trends of our largest European partners), have been revised in light of the spread of the Covid-19 epidemic.
The scenario analyses published by the ECB on 4 June indicate that for 2020, with the additional relaxation of containment measures, activities in the Eurozone should experience a recovery in the third quarter, supported by favourable financial conditions, the expansionary orientation of budget policies and the recovery of global activities, although overall the rapidity and extent of the recovery remain highly uncertain.
The above-mentioned assessment is also substantially confirmed in the June 2020 macroeconomic projections formulated by Eurosystem experts for the Eurozone. Within the base scenario of the projections, annual GDP in real terms would decline[1] by 8,7% in 2020, showing a recovery of 5,2% in 2021 and 3,3% in 2022. Compared to the March 2020 outlooks developed by ECB experts, forecasts for GDP expansion in real terms have been revised significantly downward by 9,5 percentage points for 2020 and up for 2021 and 2022, by 3,9 and 1,9 percentage points, respectively.

Given the exceptional uncertainty characterising current outlooks, the projections published by the ECB also include two alternative scenarios; the ECB expects that, in general, the extent of the downturn and the recovery will depend to a significant degree on the duration and effectiveness of the containment measures, the success of the policies intended to mitigate the adverse impact on income and employment and the extent to which production capacity and domestic demand will suffer from permanent effects. Overall, risks for the base scenario are expected to be directed downwards.

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

[1] Also inflation outlooks have been revised downward for 2020, 2021 and 2022.

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 30 June 2020, the bond covenant had been satisfied, as it was at 30 June 2019 and 31 December 2019.
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.
Please recall that in July 2020, Mittel relied on the right to the partial voluntary early repayment in cash of the nominal amount of all Bonds relating to the Bond issue. The early repayment date was 14 August 2020.

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 30 June 2020, 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.

Moreover, in July 2020, Mittel relied on the right to the partial voluntary early repayment in cash of the nominal amount of all Bonds relating to the Bond issue. The early repayment date was 14 August 2020.

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 for management to concentrate financial resources particularly on investments in Private Equity transactions that enable the Group to recover profitability. The Group recognises its property inventories at cost, net of any write-downs based on the net realisable value; in support of these values, when drafting the financial statements as at 31 December of each year, the Group asks external professionals with the necessary skills and qualifications for an appraisal of the main property assets at market values based on the measurement criteria normally used in practice, then adjusting the values based on these analyses. Though in the Company's opinion the appraisals take into consideration all factors significant to assessing the fairness of the book value of property inventories, the assessment of additional non-recurring elements not known as at the appraisal dates, compared to those used, could result in the determination of different values.
In addition, despite Mittel S.p.A. arranging the write-down of property assets where appraisals for the main property assets indicated net realisable values lower than their book values, it cannot be excluded that any worsening in the reference market may involve the future need for further potential value adjustments, with the subsequent negative effects on the Group's statement of financial position and income statement.
As at the date of this report, note that no covenants were directly associated with changes in the value of property assets or with the economic or equity results of companies operating in the Real Estate sector.

Risks related to ongoing disputes

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

damage to the Group's image and reputation in its sector, with possible negative effects on the business and economic, equity and financial situations of Mittel S.p.A. and the Group.

Risks associated with dependence on key management figures

The Group's success depends heavily on a limited number of key management figures 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 continuation of the general downturn in the economy, potentially impacting the Group's main business areas and, more generally speaking, the scope of the risks outlined above.
Indeed, the epidemic has had negative effects of considerable proportions on the global economy, which are evolving on the basis of the spread of contagion and the capacity to contain the health emergency; at the date of this report, there are concerns about a second wave of the epidemic. However, institutions and the government in Italy, like in many other countries, are taking additional measures to limit contagion while also guaranteeing the resumption of economic, production and social activity.

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 reliably 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.
Indeed, the Nursing Home Sector is still one of the sectors most 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, even a few months after the start of the epidemic, the risk that remains is that prevention according to the safety protocols set forth nationally, which limits the performance of COVID-19 tests (known as swabs) to individuals with clear symptoms, may not be enough to limit the negative consequences of the Coronavirus in Nursing Homes; potentially, the swabs should be extended to all residents and healthcare staff working in Nursing Homes. However, this possibility is managed independently by the facilities, also on the basis of the autonomous local (regional) authorities which oversee them.
In recent months, at national level, highly critical situations have been identified at some nursing homes, which are still 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) (Italian Institute of Health) has conducted Surveys on the matter and is committed on several fronts, with supervisory activities 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.
As things currently stand, even in the presence of a significant slowdown in admissions in recent months, the Zaffiro Group is impacted only marginally by risks linked to the abovementioned “muddled management” of nursing homes highlighted at national level.

- the Clothing and Design sectors are subject to 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.
The fashion supply chain was one of the segments most impacted by the economic effects of Covid-19. Currently, the economy has been gradually reopening since May 2020, although contagion containment measures are still in force, and there have been no further lockdown periods. From this perspective, we expect a gradual return to normal and a slow recovery of the economic cycle despite the very significant impacts of the virus on domestic demand, the value chain and import/export activities.
It cannot be ruled out that in the case of a new wave of Covid-19 contagion, even to a limited extent, risks remain linked to business disruption, as this could trigger new lockdowns with fragmented business closures only in the geographical areas most impacted.
- the Automotive sector could experience further slowdowns linked to contingent market difficulties in the wake of the spread of the Coronavirus. Furthermore, the Coronavirus phenomenon has led to a slowdown in end markets, due to the temporary closure of factories in the early months of the pandemic, at the order of institutions, without however significant and lasting repercussions on the supply chain.
The auto segment was struck by Covid-19 right from the initial phase of the epidemic – when the effects on the supply chain originating in China began to be transmitted globally. But aside from the halt in production, the sector was also impacted in terms of demand; indeed, against the uncertainty of the months to come, many consumers have postponed or cancelled altogether their plans to purchase new vehicles.

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.

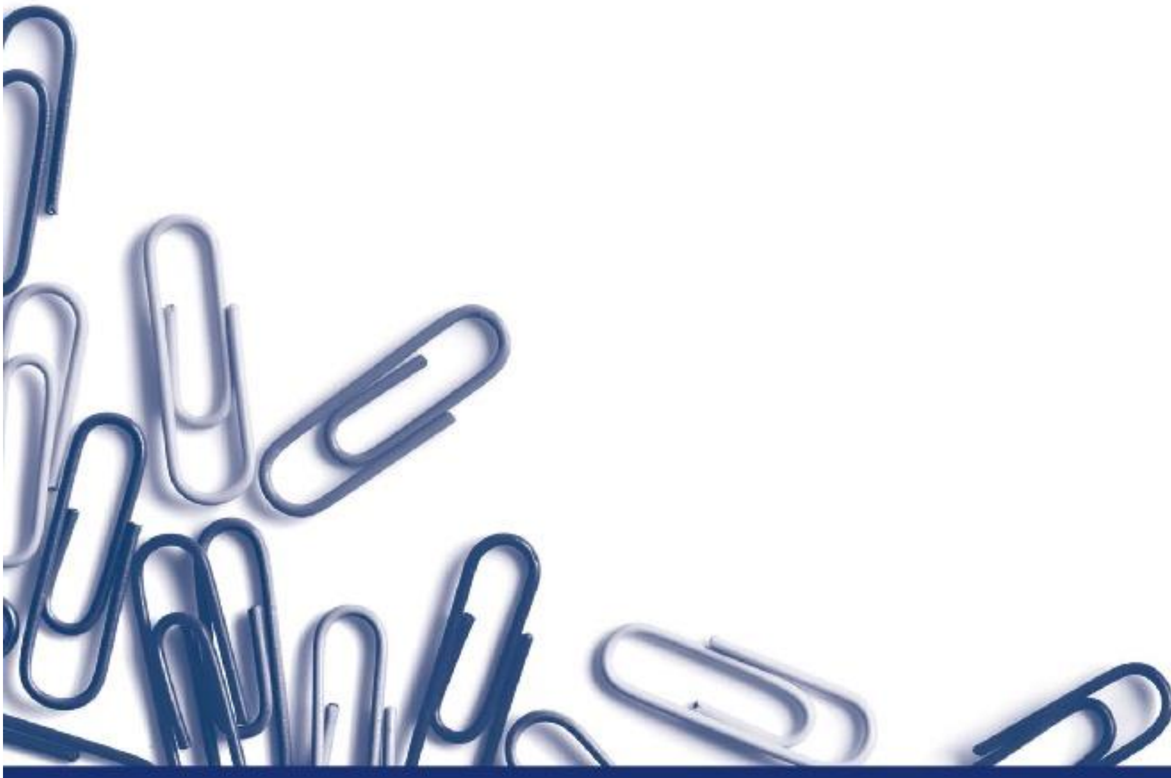
Aside from equity-financial risks, which cannot be quantified, there are more extensive risks for the entire Group, connected to:

- 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 promptly take suitable measures to counteract the risks to which Group entities are exposed.

At 25 September 2020, no extraordinary events can be currently forecast, aside from the internal and external elements of uncertainty highlighted, which are capable of substantially modifying the economic trends of the second half of the year and the Group's risk profile.

Altre informazioni



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 period 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, was 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 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.

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 briefly 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.

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

The reconciliation between equity and profit (loss) for the period of the Parent Company, as shown in the financial statements as at 30 June 2020, and the Group's equity and profit (loss) for the year, as reported in the consolidated financial statements as at the same date, is as follows:

Amounts in thousands of Euro	30 June 2020		31 December 2019	
	Equity	Profit (loss) for the year	Equity	Profit (loss) for the year
Equity and profit (loss) of the Parent Company	**209.978**	**(4.475)**	**214.452**	**9.204**
Elimination of book value of consolidated investments:				
Value of investments in consolidated companies	(132.036)		(160.421)	
Goodwill arising on consolidation	95.448		97.740	
Intangible assets arising from business combinations				
Net capital gain attributed to the activities of consolidated companies				
Pro-rata amount of equity of consolidated companies	41.535		68.193	
Results achieved by fully consolidated companies		(890)		11.293
Cancellation of write-downs of investments				
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	6		163	
Profit (loss) from investments measured using the equity method		(158)		7
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)
Dividends distributed by associates				
Taxes:				
Adjustment of tax rates				
Other adjustments				
Equity and profit (loss) for the period pertaining to the Group	**214.930**	**(5.522)**	**220.127**	**450**
Non-controlling interests	16.980	(223)	16.875	(197)
Consolidated equity and profit (loss)	**231.910**	**(5.745)**	**237.002**	**253**

Consolidated Statement of Financial Position (*)

Amounts in thousands of Euro

	Notes	30.06.2020	31.12.2019
Non-current assets			
Intangible assets	4	105.113	105.502
Property, plant and equipment	5	257.592	260.557
- of which IFRS 16 rights of use		*201.648*	*193.382*
Investments accounted for using the equity method	6	5.956	6.113
Financial receivables	7	30.191	33.460
Other financial assets	8	14.456	16.361
Sundry receivables and other assets	9	482	898
Deferred tax assets	10	13.239	11.417
Total non-current assets		**427.030**	**434.308**
Current assets			
Inventories	11	74.530	78.514
Financial receivables	12	3	25
Other financial assets		-	-
Current tax assets	13	627	1.614
Sundry receivables and other assets	14	41.632	50.200
Cash and cash equivalents	15	184.680	173.165
Total current assets		**301.472**	**303.520**
Assets held for sale		-	-
Total assets		**728.501**	**737.827**
Equity			
Share capital		87.907	87.907
Share premium		53.716	53.716
Treasury shares		-	-
Reserves		78.830	78.053
Profit (loss) for the period		(5.523)	450
Equity pertaining to the Group	16	**214.930**	**220.127**
Non-controlling interests	17	16.980	16.875
Total equity		**231.910**	**237.002**
Non-current liabilities			
Bonds	18	129.335	129.308
Financial payables	19	264.877	261.976
- of which IFRS 16 financial liabilities		*215.738*	*200.909*
Other financial liabilities	20	5.912	5.958
Provisions for personnel	21	7.517	7.722
Deferred tax liabilities	22	8.724	9.098
Provisions for risks and charges	23	1.988	1.939
Sundry payables and other liabilities	24	652	827
Total non-current liabilities		**419.004**	**416.828**
Current liabilities			
Bonds	25	2.062	2.089
Financial payables	26	20.467	19.420
- of which IFRS 16 financial liabilities		*4.587*	*5.273*
Other financial liabilities	27	5.727	6.368
Current tax liabilities	28	721	1.643
Sundry payables and other liabilities	29	48.611	54.476
Total current liabilities		**77.588**	**83.997**
Liabilities held for sale		-	-
Total equity and liabilities		**728.501**	**737.827**

(*) 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 thousands of Euro

		01.01.2020 30.06.2020	01.01.2019 30.06.2019
Revenue	30	66.885	66.090
Other income	31	2.516	1.966
Changes in inventories	32	(4.131)	(9.890)
Costs for purchases	33	(17.975)	(18.052)
Costs for services	34	(15.432)	(11.699)
Personnel costs	35	(23.217)	(17.402)
Other costs	36	(1.496)	(1.504)
Amortisation and value adjustments to intangible assets	37	(8.471)	(6.003)
Allocations to the provision for risks	38	(14)	(55)
Share of income (loss) of investments accounted for using the equity method	39	(158)	(60)
Operating result (EBIT)		**(1.493)**	**3.391**
Financial income	40	1.512	2.307
Financial expenses	41	(7.341)	(7.298)
Dividends	42	-	183
Profit (loss) from management of financial assets and investments	43	-	83
Value adjustments to financial assets, loans and receivables	44	(1.942)	(1.318)
Profit (loss) before taxes		**(9.264)**	**(2.652)**
Income taxes	45	3.518	3.459
Profit (loss) for the year		**(5.745)**	**807**
Attributable to:			
Profit (loss) pertaining to non-controlling interests	46	(223)	458
Profit (loss) pertaining to the Group		**(5.523)**	**349**

Profit (loss) per share (in Euro)	47		
From ordinary, ongoing activities:			
- Basic		-0.068	0.004
- Diluted		-0.068	0.004

(*) 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	01.01.2020 30.06.2020	01.01.2019 30.06.2019
Profit/(loss) for the year (A)		**(5.745)**	**807**
Other comprehensive profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period:			
Profits/(losses) from remeasurement of defined benefit plans		383	(332)
Tax effect relating to other profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period		(53)	56
Total other profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period, net of taxes (B.1)		**330**	**(276)**
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	16	38	(106)
Profits/(losses) from recalculation of financial assets			
Profits/(losses) from the sale of financial assets			
Release to the income statement of losses for fair value impairment on financial assets			
Share of profits/(losses) of companies measured using the equity method			
Tax effect relating to other profits/(losses) which will be subsequently reclassified to profit/(loss) for the period			26
Total other profits/(losses) which will be subsequently reclassified to profit/(loss) for the period, net of taxes (B.2)		**38**	**(80)**
Total other profits/(losses), net of taxes (B) = (B.1) + (B.2)		**368**	**(356)**
Total comprehensive profit/(loss) (A) + (B)		**(5.377)**	**451**
Total comprehensive profit/(loss) attributable to:			
Non-controlling interests		(83)	419
Profit (loss) pertaining to the Group		(5.294)	32

Statement of changes in consolidated equity for the half-year ended 30 June 2020

Amounts in thousands of 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 valued using the equity method	Non-controlling interests	Total
Balance as at 1 January 2019	**87.907**	**(11.178)**	**53.716**	**91.248**	**(385)**	**(155)**	**-**	**-**	**28.128**	**249.281**
Effects for first application of IFRS 16				(2.959)					(981)	**(3.940)**
Changes in the consolidation scope				(3.013)					(1.898)	**(4.911)**
Capital payments by non-controlling shareholders -										**-**
Cancellation of treasury shares		11.178		(11.178)						**-**
Other changes				(101)	(26)				139	**12**
Dividends distributed									(10.802)	**(10.802)**
										-
										-
Total comprehensive profit/(loss)				349	(255)	(62)			419	**451**
Balance as at 30 June 2019	**87.907**	**-**	**53.716**	**74.346**	**(666)**	**(217)**	**-**	**-**	**15.005**	**230.091**
Balance as at 31 December 2019	**87.907**	**-**	**53.716**	**79.329**	**(763)**	**(63)**	**-**	**-**	**16.875**	**237.002**
Balance as at 1 January 2020	**87.907**	**-**	**53.716**	**79.329**	**(763)**	**(63)**	**-**	**-**	**16.875**	**237.002**
Changes in the consolidation scope										**-**
Capital payments by non-controlling shareholders										**-**
Other changes				98					188	**285**
Dividends distributed										**-**
Total comprehensive profit/(loss)				(5.522)	200	28			(83)	**(5.377)**
Balance as at 30 June 2020	**87.907**	**-**	**53.716**	**73.905**	**(563)**	**(35)**	**-**	**-**	**16.980**	**231.910**

Consolidated cash flow statement

Amounts in thousands of Euro	Notes	30.06.2020	30.06.2019
OPERATING ACTIVITIES			
Net profit (loss) for the year pertaining to the Parent Company and non-controlling interests		**(5.745)**	**807**
Adjustments to reconcile net profit (loss) with cash flows generated (absorbed) by operating activities:			
Current taxes		(665)	1.111
Deferred taxes		(2.853)	(4.570)
Depreciation of property, plant and equipment		8.367	5.955
Amortisation of intangible assets and write-downs		105	48
Dividends received		-	(183)
Financial income		(1.460)	(2.307)
Financial expenses		7.272	7.286
Gains/(losses) on exchange		17	12
Allocations to provisions for risks and charges		13	55
Provisions for employee severance indemnity		1.482	593
Expenses for incentive plan with settlement option through equity instruments		-	-
Other net non-operating/monetary income/(expenses)		-	695
Net capital loss from disposal group		-	-
Profits/(losses) of investments measured using the equity method		158	60
Write-downs (reversals of impairment losses) on receivables		599	28
(Gains)/losses on receivables		-	2
Write-downs (reversals of impairment losses) on financial assets		1.342	1.290
Cash flows from operating activities before changes in working capital		**8.632**	**10.882**
(Increase)/decrease in inventories		4.144	9.919
(Increase)/decrease in other current assets		9.764	(6.696)
Increase/(decrease) in trade payables and other current liabilities		(6.309)	6.299
Cash and cash equivalents generated (absorbed) by operating activities		**16.231**	**20.404**
Change in current financial assets			
Usage of provisions for risks and charges		35	225
Payments of employee severance indemnity		(1.230)	(663)
Change in tax payables/receivables		730	2.189
(A) CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES		**15.766**	**22.154**
INVESTING ACTIVITIES			
Dividends received on investments		-	-
Dividends received on financial assets		-	183
Investments in:			
Investments		-	(6.891)
Other non-current assets (property, plant and equipment and intangible assets, including IFRS 16 rights of use)		(5.409)	(39.093)
Cash flow connected to business combinations:			
Galassia Group		-	(8.647)
Disegno Ceramica		-	(1.973)
Realisation from disposal of:			
Investments			-
Other financial assets		562	604
Financial instruments held for trading		-	-
Net cash flow connected to assets held for sale		-	18.414
(Increase)/decrease in financial receivables		2.970	7.371
Interest collected		1.460	543
(B) NET CASH FLOW GENERATED (ABSORBED) BY INVESTMENT ACTIVITIES		**(417)**	**(29.489)**
FINANCING ACTIVITIES			
Increase (decrease) in loans and borrowings from banks and other lenders (including IFRS 16 liabilities)		3.947	31.116
Issue (redemption) of bonds		-	-
Interest paid (including expenses on IFRS 16 liabilities)		(7.272)	(7.021)
Change in financial liabilities		(509)	-
Changes in equity		-	-
Payment of dividends to non-controlling interests		-	(10.802)
(C) NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES		**(3.834)**	**13.294**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D = A+B+C)		**11.515**	**5.959**
OPENING CASH AND CASH EQUIVALENTS (E)		173.165	223.822
CLOSING CASH AND CASH EQUIVALENTS (F = D+E)		**184.680**	**229.782**

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

Amounts in thousands of Euro

	Notes	30.06.2020	*of which related parties*	*% incidence*	31.12.2019	*of which related parties*	*% incidence*
Non-current assets							
Intangible assets	4	105.113			105.502		
Property, plant and equipment	5	257.592			260.557		
- of which IFRS 16 rights of use		*201.648*			*193.382*		
Investments accounted for using the equity method	6	5.956			6.113		
Financial receivables	7	30.191			33.460	3.250	9.7%
Other financial assets	8	14.456			16.361		
Sundry receivables and other assets	9	482			898		
Deferred tax assets	10	13.239			11.417		
Total non-current assets		427.030	-		434.308	3.250	0.7%
Current assets					**-**		
Inventories	11	74.530			78.514		
Financial receivables	12	3			25		
Other financial assets		-			-		
Current tax assets	13	627			1.614		
Sundry receivables and other assets	14	41.632			50.200	1	0.0%
Cash and cash equivalents	15	184.680			173.165		
Total current assets		301.472	-		303.520	1	0.0%
Assets held for sale		-			-		
Total assets		728.501	-		737.827	3.251	0.4%
Equity							
Share capital		87.907			87.907		
Share premium		53.716			53.716		
Treasury shares		-			-		
Reserves		78.830			78.053		
Profit (loss) for the year		(5.523)			450		
Equity pertaining to the Group	16	214.930			220.127	-	
Non-controlling interests	17	16.980			16.875		
Total equity		231.910			237.002	-	
Non-current liabilities		-			-		
Bonds	18	129.335			129.308		
Financial payables	19	264.877			261.976		
- of which IFRS 16 financial liabilities		*215.738*			*200.909*		
Other financial liabilities	20	5.912			5.958		
Provisions for personnel	21	7.517			7.722		
Deferred tax liabilities	22	8.724			9.098		
Provisions for risks and charges	23	1.988			1.939		
Sundry payables and other liabilities	24	652			827		
Total non-current liabilities		419.004	-		416.828		
Current liabilities		-			-		
Bonds	25	2.062			2.089		
Financial payables	26	20.467			19.420		
- of which IFRS 16 financial liabilities		*4.587*			*5.273*		
Other financial liabilities	27	5.727			6.368		
Current tax liabilities	28	721			1.643		
Sundry payables and other liabilities	29	48.611	417	0.9%	54.476	598	1.1%
Total current liabilities		77.588	417	0.5%	83.997	598	0.7%
Liabilities held for sale		-			-		
Total equity and liabilities		728.501	417	0.1%	737.827	598	0.1%

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

Amounts in thousands of Euro

	Notes	30.06.2020	*of which related parties*	*% incidence*	30.06.2019	*of which related parties*	*% incidence*
Revenue	30	66.885	25	0.0%	66.090	34	0.1%
Other income	31	2.516	25	1.0%	1.966	13	0.7%
Changes in inventories	32	(4.131)			(9.890)		
Costs for purchases	33	(17.975)			(18.052)		
Costs for services	34	(15.432)	(460)	3.0%	(11.699)	(412)	3.5%
Personnel costs	35	(23.217)	(342)	1.5%	(17.402)	(370)	2.1%
Other costs	36	(1.496)			(1.504)		
Amortisation and value adjustments to intangible assets	37	(8.471)			(6.003)		
Allocations to the provision for risks	38	(14)			(55)		
Share of income (loss) of investments accounted for using the equity method	39	(158)			(60)		
Operating result (EBIT)		**(1.493)**			**3.391**		
Financial income	40	1.512	34	2.2%	2.307	265	11.5%
Financial expenses	41	(7.341)			(7.298)		
Dividends	42	-			183		
Profit (loss) from management of financial assets and investments	43	-			83		
Value adjustments to financial assets, loans and receivables	44	(1.942)			(1.318)		
Profit (loss) before taxes		**(9.264)**			**(2.652)**		
Income taxes	45	3.518			3.459		
Profit (loss) for the year		**(5.745)**			**807**		
Attributable to:							
Profit (loss) pertaining to non-controlling interests	46	(223)			458		
Profit (loss) pertaining to the Group		**(5.523)**			**349**		

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 condensed half-yearly consolidated financial statements as at 30 June 2020 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 30 June 2020, and the provisions issued in implementation of article 9 of Legislative Decree no. 38/2005. IFRS also mean all revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The half-yearly financial statements for the period 1 January 2020 - 30 June 2020 were drafted according to IAS 34 "Interim Financial Reporting". The half-yearly financial statements as at 30 June 2020 do not include all the additional information required in the annual financial statements and should be read together with the annual financial statements of the Group as at 31 December 2019. The explanatory notes are also presented in accordance with the minimum information required by IAS 34 and the additions deemed useful for a better understanding of the half-yearly financial report as at 30 June 2020.

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

This section illustrates the general principles adopted in the drafting of the financial statements for the year ended as at 30 June 2020, 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 actual data and any potential further impacts of the Coronavirus pandemic, albeit which cannot be reliably estimated) that the group will not be in a significantly uncertain position in relation 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 2020 consolidated half-yearly 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 condensed half-yearly consolidated financial statements are composed of the Income Statement, Statement of comprehensive income, Statement of Financial Position, Cash flow statement and Statement of changes in equity, accompanied by the explanatory notes. They were drafted in line with the minimum contents of IAS 1 – Presentation of Financial Statements.

The table "Other comprehensive income" includes the components of income suspended in equity such as:
- profits and losses from the redetermination of financial assets 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 condensed half-yearly consolidated financial statements are compared with those of last year's financial statements drafted using the same criteria, with the exception of that which is described in the paragraph "Changes in IFRS accounting standards, amendments, and interpretations", to which reference should be made.

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

The values of the items in the consolidated financial statements are expressed in Euro.

Events after the reporting period (IAS 10)

These condensed half-yearly consolidated financial statements were authorised for publication, in accordance with IAS 10, by the Board of Directors on 25 September 2020. Reference should be made to the information in the Directors' Report on Operations for a description of the significant events after 30 June 2020.

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 evidence 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 any 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%
- Furniture and fittings 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 any 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 company 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 (for 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 any 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 performance obligations 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 net 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 estimate 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 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 current year 2020 is highly impacted by the global spread of the Coronavirus epidemic; the main factors of uncertainty that could affect future scenarios in which the Group will be operating indeed include the possible developments of the global and Italian economy linked directly and indirectly with the spread of the Coronavirus epidemic, the impacts of which are being continuously assessed by the Group, as also specified in the paragraph "Significant events in the first half of the year" and "Business outlook for the year".

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 significant issues in terms of impairment testing in the condensed consolidated financial statements. As at 25 September 2020, it should not be overlooked that with reasonable certainty the year 2020 under way 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 2020 – 30 June 2020 was not characterised by changes to the estimation criteria that was already applied to draft the financial statements as at 31 December 2019.

Changes in IFRS standards, amendments and interpretations

Standards, amendments and interpretations effective from 1 January 2020

The following IFRS standards, amendments and interpretations were applied for the first time by the Group from 1 January 2020:

- Amendments to IFRS 9, IAS 39 and IFRS 7: on 15 January 2020, the European Commission endorsed, by publishing EU Regulation no. 2020/34, "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform" published on 26 September 2019. The amendment modifies some of the requirements set forth for the application of hedge accounting, establishing temporary exemptions in order to mitigate the impact deriving from the uncertainty of the "Benchmark Reform" which calls for, starting from 1 January 2022:
    - the replacement of the Eonia (European Overnight Index Average) rate with the €STR (Euro Short Term Rate) rate;
    - the amendment of the Euribor calculation methodology so as to make the rate consistent with the new Regulation.

  These amendments enable entities not to interrupt hedging transactions, until the reform of the benchmarks for the calculation of interest rates has been completed. Specifically, temporary exemptions have been introduced to the application of specific provisions on hedge accounting of IFRS 9 and IAS 39, to be applied on a compulsory basis to all hedging transactions directly impacted by the interest rate benchmark reform.
  A hedging relationship is directly concerned by the interest rate benchmark reform only if the reform generates uncertainties with respect to the interest rate benchmark (defined contractually or non-contractually) designated as a hedged risk and/or the timing or amount of the cash flows correlated with the interest rate benchmark of the hedged item or the hedging instrument.
  The amendment requires companies to provide additional information in the financial statements regarding their hedging relationships that are directly concerned by the uncertainties generated by the reform and to which the aforementioned exemptions apply.

- Amendment to IFRS 3 "Definition of business": on 21 April 2020, the European Commission endorsed, by publishing EU Regulation no. 2020/551, "Amendments to IFRS 3 Business combinations" published on 22 October 2018. The amendment consists primarily of the revision of the definition of "business", on the assumption that the identification of the asset or the group of assets acquired as a "business" constitutes a necessary condition for the application of IFRS 3.

- Amendments to References to the Conceptual Framework in IFRS Standards: the Conceptual Framework provides a description of the concepts underlying IFRS-compliant financial reporting and has the purpose of assisting the IASB in the development of new accounting standards, drafters of financial statements to define an accounting standard in the absence of a specific provision of the IFRSs and everyone who needs to understand and interpret the IFRSs.
  The main new elements introduced regard the description of new concepts, which were not present in the previous version of the document, such as "measurement", "presentation" and "disclosures" and "derecognition", as well as the update and clarification of certain concepts already existing in the previous version such as "definition of assets and liabilities", "criteria for the recognition of assets and liabilities in the financial statements", "prudence", "measurement uncertainty", "substance over form" and "stewardship".

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, supports businesses in the development of accounting standards when no IFRS standard is applicable to a specific transaction and, more generally, helps the parties concerned to understand and interpret the Standards.

- Definition of "material" (Amendment to IAS 1 and IAS 8): on 31 October 2018, the 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 amendment falls within the scope of a broader project named "Better Communication in Financial Reporting", whereby the IASB aims to improve how financial information is disclosed to users of financial statements, and modified the definition of "material", which is a pervasive concept in the IFRSs and underlies not only the recognition, measurement and presentation of the financial statement items, but also the selection of the supplementary information to be provided in the notes.

The introduction of the above amendments did not have significant effects on the Mittel Group companies.

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.

- 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 has relied on a provision of the Amendment for practicality in the breakdown of the bond between current and non-current (please refer to what is specified in the dedicated note).

- References to the "Conceptual Framework": Amendments to IFRS 3. The amendments apply from annual periods beginning on or after 1 January 2022.

- Amendments to IAS 16 - Property, plant and equipment with reference to accounting for the sale of items before the asset relating to such items is available for use. The amendments apply from annual periods beginning on or after 1 January 2022.

- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract: the type of costs that need to be considered as those necessary to fulfil the contract for the measurement of an onerous contract is clarified. The amendments apply from annual periods beginning on or after 1 January 2022.

- Amendments to IFRS 16 – COVID-19 Related rent concessions: on 28 May 2020, the IASB published an amendment to IFRS 16 Leases. This amendment aims to simplify, for lessees, accounting for leases when these changes are directly linked to the Covid-19 pandemic (i.e., suspension and temporary modifications of conditions). The amendment exempts lessees from needing to perform a precise analysis of the individual lease agreements to verify whether there are agreement modifications pursuant to IFRS 16. This consideration applies to amendments on lease payments due by 30 June 2021.

- Amendments to IFRS 4 "Amendment to IFRS 4 Insurance Contracts - deferral of IFRS 9" and IFRS 17 "Amendments to IFRS 17 Insurance Contracts", on insurance contracts.
  The amendments apply from annual periods beginning on or after 1 January 2023.

- Annual improvements to IFRS Standards 2018-2020. The amendments apply from annual periods beginning on or after 1 January 2022.

Unless specified otherwise, the amendments and standards listed above are not significant for the purpose of drafting the condensed half-yearly consolidated financial statements as at 30 June 2020, as their application is subject to endorsement by the European Commission by issuing dedicated EU Regulations[2].

Accounting impacts of the Covid-19 epidemic

The contingent health emergency context deriving from the Covid-19 epidemic has made it necessary to incorporate the guidelines published by international Authorities and bodies, such as ESMA (i.e., publication of 11 March, 25 March and 20 May 2020), CONSOB (warning notices of 9 April and 16 July 2020), IASB (27 March and 10 April) and IOSCO (29 May 2020), with the objective of managing the expected impacts on the financial statements.
Specifically, ESMA, referring to the measures issued by the ECB on 20 March 2020, urged issuers to provide additional information to enable the users of financial statements to understand the overall impact of Covid-19 on the issuer's financial position and performance, particularly with reference to the areas in which the IFRSs require the application of significant subjective judgement.
Also consider that the high degree of uncertainty of the current macroeconomic and financial scenario could reflect on the measurements and estimation of the carrying amounts of the assets and liabilities concerned by higher volatility.

[2] With respect to IFRS 14, please note that the European Commission has decided to suspend the process of endorsing the standard pending the definition of the new standard relating to "rate regulated activities".

The main situations for which the employment of subjective assessments by the Management is most required are:

- the quantification of impairment losses on loans and receivables, and, in general, other financial assets and equity investments;
- the use of valuation models for the determination of the fair value of financial instruments not listed in an active market;
- the identification of elements of impairment on non-financial assets, including the estimation of the recoverable amount of goodwill and the assessment of the recoverability of deferred tax assets.

For the preparation of the consolidated half-yearly financial statements as at 30 June 2020, the Group performed the necessary analyses, also evaluating how up-to-date the strategic plan and the forecast profitability of the investees are.
Considering that the current domestic and international socio-economic context, as well as the performance of the financial markets and interest rates, have impacted counterparty creditworthiness as well as prices, the Group has intensified its verification and monitoring of actual data.

Below is a summary of the analyses performed and the accounting impacts recognised in the accounting items as at 30 June 2020; for additional details, please refer to the Notes to the financial statements.

- Financial receivables: an assessment was performed of the impacts in terms of impairment pursuant to IFRS 9 of the updating of the model and the risk variables to incorporate the Covid-19 effect (in particular, in terms of forward looking information, expectations regarding GDP); as at 30 June, there were impacts on the item value adjustments (Euro 0,6 million), substantially due to the negative effect deriving from the deteriorating macroeconomic scenario.
- Other financial assets: the adequacy of the fair values used was verified. In particular, there were extraordinary write-downs (Euro 1,3 million) of the values of such assets and specifically, for the Augusto Fund, the measurement deteriorated considerably as it was based on the updated report that also included the effects of Covid-19.
- Non-financial assets: in the current context of uncertainty, it was necessary to verify the presence of indicators of impairment, on the basis of available internal or external information; the determination of the recoverable amount of a non-financial asset, within the current context of uncertainty, indeed requires a careful assessment of the cash flow projections throughout the relevant time horizon. As at 30 June 2020, the analyses performed confirmed the recoverability of the assets recognised. For a more systematic representation of the above-mentioned considerations, please refer to the section relating to "Goodwill impairment test".

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 at 31 December 2019 the consolidation scope as at 30 June 2020 has not undergone any changes.

Exclusively the impacts deriving from the completion of the accounting of business combinations recognised on a provisional basis as at 31 December 2019 are represented, specifically the acquisitions performed in the bathroom fixtures sector (Galassia and Disegno Ceramica), details regarding which are provided below.

The table below indicates the investments included in the consolidation scope of the consolidated financial statements as at 30 June 2020:

	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.	Corchiano (VT)	(1)	Full	Mittel Design S.r.l.	90.00%	90.00%	90.00%
13	Galassia Hispania S.a.u.	Spain	(1)	Full	Galassia S.r.l.	100.00%	100.00%	90.00%
14	Balder S.r.l.	Milan	(1)	Full	IMC S.p.A.	100.00%	100.00%	75.00%
15	Zaffiro Nord S.r.l.	Milan	(1)	Full	Gruppo Zaffiro S.r.l.	100.00%	100.00%	60.00%
16	Zaffiro Sviluppo S.r.l.	Magnano in Riviera (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100.00%	100.00%	60.00%
17	Zaffiro Centro Sud S.r.l.	Milan	(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.	Martignacco (UD)	(1)	Full	Gruppo Zaffiro S.r.l.	100.00%	100.00%	60.00%
20	Fremil GmbH	Germany	(1)	Full	Sport Fashion Service S.r.l.	100.00%	100.00%	90.00%
21	Gamma Tre S.r.l.	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	100.00%	100.00%	100.00%
22	Lucianita S.r.l. in liquidation	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	100.00%	100.00%	100.00%
23	MiVa S.r.l.	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	100.00%	100.00%	100.00%
24	Regina S.r.l.	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	100.00%	100.00%	100.00%
25	Fashion District Group S.r.l. in liquidation	Milan	(1)	Full	Earchimede S.p.A.	66.66%	66.66%	66.47%
26	Parco Mediterraneo S.r.l.	Milan	(1)	Full	Fashion District Group S.r.l. in liquidation	100.00%	100.00%	66.47%
27	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 method	Mittel S.p.A.	27.00%	27.00%	27.00%
2	Mit.Fin. S.p.A.	Milan	(6)	Equity method	Mittel S.p.A.	30.00%	30.00%	30.00%
Indirect associates:								
3	Superpartes S.p.A.	Brescia	(7)	Equity method	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 cast the majority of votes at meetings of the board of directors or equivalent governing body.

In order to exercise this power, the Group's rights over the investee must be substantive; to be substantive, these rights must be practically exercisable when the decisions about relevant activities must be taken.
The existence and effect of potential voting rights, where substantive, are taken into consideration when assessing whether the power to direct the financial and management policies of another entity exists or not.
No situations are recognised in which the Group is in a condition to exercise "de facto control" over an entity which, despite the absence of the majority of voting rights, demonstrates the ownership of rights, even of a non-participatory nature, such as to allow the unidirectional management of the investee's relevant activities.
Under subsidiaries, no "structured entities" are identified in which the voting rights do not represent key elements for the evaluation of control, including therein vehicle companies (SPE/SPV) and investment funds.
As at 30 June 2020, it should be noted that the Group owns the majority of the voting rights in all operating entities subject to line-by-line consolidation.
It should also be pointed out that there are no cases in which:

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

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

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

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

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

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

Changes in the consolidation scope

During the six-month period there were no changes in the consolidation scope. A disclosure is provided below relating to the only business combination transaction of the previous year (Galassia) for which the completion of the PPA process entailed changes compared to the provisional values determined as at 31 December 2019. Instead, there were no changes as regards the combinations of Disegno Ceramica, CPM and SFS.

Acquisition of Galassia S.r.l. by Mittel Design S.r.l.

Please recall that 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 renamed Galassia S.r.l..

Already in the period between the acquisition date and 31 December 2019, after new information was obtained on the provisional fair value at the acquisition date of certain assets recognised, goodwill was adjusted as a result.

During the half-year, additional adjustments were definitively made on the estimated values of the items subject to the previous valuations, and the value of the company trademark was also estimated, with resulting impacts on goodwill.

In parallel, against the impairment already recognised as at 31 December 2019, a claim was activated with the selling parties, which had provided some warranties during the sale, and the price adjustment correlated with those claims was definitively determined with the counterparties and subsequently collected in August 2020, resulting in a further change in the value of goodwill.

Therefore, as things currently stand, the allocation process has been completed and is shown in the following summary table.

Amounts in Euro '000	IFRS Data	Prov. PPA 31.12.19	Data after PPA	Def. Adj PPA 30.06.20	Data after def. PPA
Intangible assets	62		62	2.000	2.062
Property, plant and equipment	11.404		11.404		11.404
Investments	-		-		-
Financial receivables	332		332		332
Other financial assets	140		140		140
Sundry receivables and other assets	1		1		1
Deferred tax assets	175	424	599		599
Total non-current assets	**12.114**	**424**	**12.539**	**2.000**	**14.539**
Inventories	7.809	(1.397)	6.412	159	6.571
Financial receivables	6		6		6
Current tax assets	523		523		523
Sundry receivables and other assets	7.908	(11)	7.897	63	7.960
Cash and cash equivalents	276		276		276
Total current assets	**16.521**	**(1.408)**	**15.113**	**222**	**15.336**
Financial payables	(7.119)	(6)	(7.125)		(7.125)
Other financial liabilities	(69)		(69)		(69)
Provisions for personnel	(941)		(941)		(941)
Deferred tax liabilities	(1.164)		(1.164)	(533)	(1.697)
Total non-current liabilities	**(9.294)**	**(6)**	**(9.300)**	**(533)**	**(9.833)**
Financial payables	(5.486)		(5.486)		(5.486)
Current tax liabilities	-		-		0
Sundry payables and other liabilities	(8.101)	(26)	(8.127)		(8.127)
Total current liabilities	**(13.587)**	**(26)**	**(13.613)**	**0**	**(13.613)**
Net assets	**5.755**	**(1.016)**	**4.739**	**1.689**	**6.428**
Share of Net assets (90%)			**4.265**	**1.520**	**5.785**
Spot settled purchase price			10.980		10.980
Adj for claim/ea					(772)
Fair value of the cost of the business combination at acquisition date			**10.980**		**10.208**
Goodwill of business combination			**6.715**		**4.423**

Other transactions

During the six-month period there were no changes in the consolidation scope or in the interests held by the Group in the existing scope. For the sake of comprehensiveness, please note that in the period subsequent to 30 June 2020, there were changes in the interests of the following equity investments:

- reduction by Mittel Investimenti Immobiliari S.r.l. from 100% to 70% in Regina S.r.l.;
- increase from 80% to 85% of the share held by Mittel Design S.r.l. in Disegno Ceramica S.r.l.

These transactions, regarding changes in 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 will be accounted for in the second half of the year 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 30 June 2020 and the information relating to the share of the interests held by non-controlling shareholders and the percentage of voting rights.
The aforementioned economic and equity data derive from the accounting situations as at 30 June 2020 of the subsidiaries with significant non-controlling interests, appropriately reclassified and adjusted to take account of the period and consolidation entries and, where necessary, to bring them into line with the Group accounting standards for the purpose of the consolidated financial statements as at 30 June 2020.

Investments with significant non-controlling interests: accounting information

Investments with significant non-controlling interests: accounting information
Amounts in thousands of Euro

Subsidiaries:	**Balder S.r.l.**	**IMC S.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.**	**Zaffiro Group**	**Sport Fashion Service Group**
Gross operating margin (EBITDA)	**5**	**1.358**	**(45)**	**(64)**	**(56)**	**2.745**	**1.347**	**97**	**5.885**	**(1.511)**
of which:										
Revenue	*1.074*	*8.948*	*0*	*0*	*0*	*13.075*	*9.320*	*3.817*	*26.142*	*3.084*
Changes in property inventories	*64*	*(1.457)*	*0*	*0*	*0*	*(403)*	*(489)*	*371*	*0*	*808*
Costs for purchases	*(551)*	*(3.568)*	*0*	*0*	*0*	*(4.173)*	*(2.652)*	*(1.421)*	*(1.963)*	*(3.268)*
Costs for services	*(269)*	*(910)*	*(45)*	*(64)*	*(56)*	*(2.801)*	*(2.063)*	*(1.041)*	*(6.724)*	*(1.087)*
Personnel costs	*(313)*	*(1.655)*	*0*	*0*	*0*	*(2.953)*	*(2.769)*	*(1.629)*	*(11.570)*	*(1.048)*
Operating result (EBIT)	**(97)**	**(1.334)**	**(36)**	**(64)**	**(56)**	**2.145**	**694**	**(247)**	**2.137**	**(1.916)**
of which:										
Amortisation/depreciation	*(102)*	*(2.678)*	*0*	*0*	*0*	*(582)*	*(616)*	*(322)*	*(3.748)*	*(204)*
Allocations	*0*	*(14)*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Value adjustments to financial assets	*0*	*0*	*9*	*0*	*0*	*(18)*	*(37)*	*(22)*	*0*	*(201)*
Financial income	2	1	0	0	0	36	1	12	651	49
Financial expenses	(4)	(760)	0	0	0	(56)	(166)	(93)	(3.828)	(276)
Profit (loss) before taxes	**(99)**	**(2.093)**	**(36)**	**(64)**	**(56)**	**2.125**	**529**	**(328)**	**(1.040)**	**(2.143)**
Income taxes	50	484	(3)	(14)	5	(486)	(218)	48	1.682	540
Profit (loss) for the year	**(49)**	**(1.609)**	**(39)**	**(78)**	**(51)**	**1.639**	**311**	**(280)**	**642**	**(1.603)**
of which Profit (loss) pertaining to non-controlling interests	12	402	0	26	17	164	(31)	56	(257)	(160)
Non-current assets	**842**	**48.505**	**2.061**	**1.821**	**0**	**11.980**	**13.792**	**6.351**	**248.763**	**22.707**
of which:										
Financial receivables	0	200	0	1.740	0	0	68	0	0	0
Other financial assets	0	0	2.061	0	0	0	123	1	415	0
Current assets	**1.670**	**14.066**	**2.968**	**4.428**	**2.436**	**25.029**	**12.367**	**6.519**	**48.103**	**12.887**
of which:										
Inventories	486	3.737	0	0	2.300	5.981	5.859	4.017	72	5.564
Financial receivables	0	0	0	0	0	4.400	0	0	13.188	0
Cash and cash equivalents	691	5.448	2.820	2.330	51	7.137	793	200	19.383	2.369
Total assets	**2.512**	**62.571**	**5.029**	**6.249**	**2.436**	**37.009**	**26.159**	**12.870**	**296.866**	**35.594**
Non-current liabilities	**294**	**41.570**	**0**	**0**	**10**	**3.557**	**9.649**	**6.433**	**216.762**	**6.096**
of which:										
Financial payables	200	36.974	0	0	0	1.526	7.287	5.162	211.699	5.404
Current liabilities	**623**	**6.848**	**88**	**709**	**2.327**	**9.532**	**9.548**	**6.574**	**64.662**	**9.922**
of which:										
Financial payables	0	1.126	0	0	1.740	1.527	3.624	1.316	25.859	6.963
Equity	**1.594**	**14.153**	**4.940**	**5.540**	**99**	**23.920**	**5.382**	**(137)**	**15.532**	**19.576**
of which attributable to non-controlling interests	***398***	***3.538***	***14***	***1.858***	***33***	***2.048***	***690***	***(28)***	***6.213***	***1.958***

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**
Disegno Ceramica S.r.l.	20.00%	20.00%	(56)	(27)	
Galassia S.r.l.	10.00%	10.00%	28	608	
Galassia Hispania	10.00%	10.00%	3	82	
Ceramica Cielo S.p.A.	10.00%	10.00%	163	2.048	
Earchimede S.p.A.	0.29%	0.29%		14	
Fashion District Group S.r.l. in liquidation	33.53%	33.34%	(26)	1.858	
IMC S.r.l.	25.00%	25.00%	(402)	3.538	
Balder S.r.l.	25.00%	25.00%	(12)	399	
Parco Mediterraneo S.r.l.	33.53%	33.53%	(17)	33	
Zaffiro Group	40.00%	40.00%	256	6.212	
Sport Fashion Service S.r.l.	10.00%	10.00%	(146)	1.929	
Fremil GmbH	10.00%	10.00%	(14)	29	
			(223)	16.723	-

Consolidated statement of financial position - Assets

Non-current assets

4. Intangible assets

Intangible assets amounted to EUR 105,1 million, a slight decrease compared to EUR 105,5 million in the previous year.

The item saw the following changes:

	Goodwill	Trademarks	Plant	Concessions and licences	Other	Total
Values as at 01.01.2020	**97.740**	**7.193**	**65**	**247**	**258**	**105.502**
Changes in the year:						
- acquisitions	-	6	-	52	-	**59**
- amortisation	-	(1)	(8)	(85)	(46)	**(140)**
- other changes	(2.292)	2.000	(4)	-	(12)	**(308)**
Total changes	**(2.292)**	**2.005**	**(12)**	**(33)**	**(57)**	**(389)**
Values as at 30.06.2020	**95.448**	**9.198**	**52**	**214**	**201**	**105.113**

Goodwill at 30 June 2020, amounting to EUR 95,4 million, is attributable to:

- for EUR 45,7 million to Zaffiro Group (and subsidiaries), unchanged from the previous year;
- 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 2019;
- for EUR 4,4 million to Galassia, acquired in June 2019;
- for EUR 2,1 million to Disegno Ceramica, acquired in June 2019;
- 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 9,2 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, on 31 December 2017;
- EUR 2,0 million for the Galassia S.r.l. brand, recognised during the half-year also at the time of completion of the PPA;
- EUR 1,7 million for brands (and in particular the “Ciesse Piumini” brand) held by Sport Fashion Service.

Goodwill impairment test

Within the current context of uncertainty, the national and supranational authorities have issued recommendations to listed companies, indicating their responsibility to properly represent the effects of the crisis in the financial statements. A structured approach to impairment testing has been adopted to take into account the regulatory requirements issued in the course of the epidemic by the Authorities as well as the provisions of IAS 36; in particular:

- the cash flow projections used to determine the recoverable amount must be based on the most recent budget/plan approved by the company management as well as on reasonable and demonstrable assumptions capable of representing the best estimate of future economic conditions, expected throughout the useful life of the assets, giving greater weight to evidence originating externally;
- considering the current situation of uncertainty, in the preparation of the financial statements it is necessary to pay attention to providing detailed information on the underlying assumptions used for the cash flow projection.

Goodwill is tested for impairment at least once per year and in any event when there are signs of impairment; although in the presence of evident signs of impairment due to the economic crisis with no precedent in recent decades, the management has performed a careful analysis of its CGUs to evaluate the need to plan and perform the impairment test for all CGUs when drafting the half-yearly financial statements as at 30 June 2020.
The Group did not deem it necessary to perform the impairment test on all CGUs but, also taking into account the provisions of par. 15 of IAS 36, it verified from the qualitative perspective the absence of specific trigger events for the CGUs linked to the Zaffiro Group and IMC, for which the last impairment test was performed as at 31 December 2019, when the Covid-19 epidemic, although classified as a non-adjusting event pursuant to IAS 10, was taken into consideration in the development of such impairment tests.
Indeed, please recall that the draft financial statements as at 31 December 2019 were approved on 29 April 2020, while the Covid-19 pandemic and the ensuing economic slowdown were in full swing.

In summary, the impairment tests as at 30 June 2020 were performed on the CGUs linked to the Design and Clothing operating segments, specifically represented by:

- Ceramica Cielo, for which the last impairment test was performed, in line with the normal annual frequency set forth in IAS 36, when the half-yearly report as at 30 June 2019 was drafted;
- Galassia and Disegno Ceramica, for which the PPA process launched upon acquisition, which already at 31 December 2019 entailed an alignment with fair value of the inventories to reflect the provisional results of the process of estimating their value, was definitively completed, resulting in the crystallisation of the value of the relative goodwill, adjusted in the case of Galassia for additional changes in the purchase price (as a result of the positive outcome of the claim submitted to the seller) and the allocation of a portion of provisional goodwill to the company trademark;
- Sport Fashion Service, for which please recall the nature of the acquisition as a transaction under common control did not require a PPA to be carried out and the goodwill recognised is that recorded with continuity of values compared to the value recognised in the consolidated financial statements of the common parent company Blue Fashion Group.

For the above-mentioned companies, the plans used for the impairment test were carefully reviewed and approved by the management and reflect with considerable prudence the negative impacts on forecast cash flows resulting from the ongoing health emergency.

The purpose of the impairment test on the aforementioned goodwill figures was to assess whether the book values at 30 June 2020 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).

Below in this section the parameters and data used to calculate the Value in Use and the results of the impairment tests carried out are shown separately for the Ceramica Cielo, Disegno, Galassia and Sport Fashion Service CGUs.

For the Zaffiro Group and IMC CGUs for which the impairment test was not performed as at 30 June 2020, an analysis was carried out through a joint review of several aspects:

- considerations incorporated within the cash flows used for the last impairment test performed;
- amount of the difference between carrying amounts and recoverable amounts of the CGUs identified recognised in the last impairment test as at 31 December 2019;
- exposure of the CGUs to the crisis and analysis of the actual effects and vulnerability to the crisis with a view to maintaining financial and capital balance;
- market changes which significantly influence the discount rate used in the calculation of the value in use of the asset, significantly reducing the recoverable amount of the asset, leading to impairment.

In any event, sensitivity analyses were carried out to take into account the generalised slowdown caused by the pandemic.

The analysis of the aspects of exposure and vulnerability to the crisis as well as the actual data do not provide elements such so as to lead us to believe that a quantitative analysis would lead to different results than the qualitative analysis described above, so as to lead to impairment in the goodwill recognised.
Furthermore, even in the presence of unfavourable elements within the reference context, the actual data are in line with the forecasts that influenced these sectors, so they did not constitute a factor of impairment. In any event, periodic monitoring will be performed in that sense in view of the preparation of the accounting statements as at 31 December 2020.

IMC

IMC was already tested for impairment as at 30 June 2019 and 31 December 2019 due to the continuing weakness in the overall macroeconomic scenario.
Indeed, having continued to have contingent negative impacts on demand in the reference sector (Automotive) and with the resulting lower than expected economic performance of the company incorporated in previous assessments, for 31 December 2019 it was deemed necessary to update the impairment test carried out as at 30 June 2019 even prior to the natural expiry of the compulsory annual term set forth by the international accounting standards.
The estimate of expected cash flows was 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 the value in use, therefore, 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.
Considering that the approval of the draft financial statements as at 31 December 2019 was scheduled for 29 April 2020, during the peak of the Covid-19 epidemic and the economic slowdown it caused, the sensitivity analyses performed during the test were also expanded, precisely in consideration of the Covid-19 emergency, forecasting for example, with the discount rate (WACC) and the growth rate (g) remaining the same, a drop in the investee’s EBITDA up to 70% in 2020 and 50% in 2021 compared to what was set forth in the Economic and Financial Plan underlying the impairment test process (reductions that were also more prudent than the initial simulations carried out by the company management), which did not bring to light any impairment loss.

The results of the impairment test as at 31 December 2019 had indeed highlighted a capital gain with a recoverable amount of EUR 42,36 million. As at 30 June 2020 the carrying amount declined compared to the same figure at 31 December 2019 as a result primarily of the depreciation recorded on the original share of depreciation allocated to property, plant and equipment (and in particular the presses) during the PPA.

Moreover, although the first half of 2020 was significantly impacted by the effects of the lockdown, the important commercial work carried out in recent months is beginning to generate its initial results and an important order (attributable to the second half of 2020) should even make it possible for 2020 performance to surpass the pre-Covid budget, as a result confirming the results of the assessments carried out at the end of last April.

The assessments performed on the basis of the current delicate situation highlight conditions of expected sustainability; the expected impact on the structure and on capital levels, as well as on the evolution of the profitability of the CGU under review, is substantially limited.
The above analyses do not provide elements such so as to lead us to believe that a quantitative analysis would lead to different results than the qualitative analysis described above, so as to lead to impairment in the goodwill recognised.

Considering that the recoverable amount is determined on the basis of estimates, the possibility of impairment losses on the goodwill mentioned above in future periods cannot be ruled out. Given the continuation of the market crisis situation, the various factors used in developing the estimates may be revised.

Zaffiro Group

Zaffiro Group was already tested for impairment as at 31 December 2019. Its draft financial statements were approved on 29 April 2020 during the Covid-19 pandemic.

The estimate of expected cash flows used was based on projections formalised in the Economic and Financial Plans 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.
Despite the unpredictability of the health emergency in the months of March and April 2020, the company's management, nonetheless, already 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 initial 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 amounts and the book values.

It should therefore be reaffirmed that the impairment test as at 31 December 2019 showed a significantly positive spread between the value in use and the carrying amount; as at 31 December 2019, the recoverable amount was EUR 78,38 million.
As at 30 June 2020, the carrying amount did not experience significant changes compared to the same figure at 31 December 2019.

Specifically, as at 30 June 2020:

- overall, there was no negative performance compared to the annual budget redeveloped on a half-yearly basis, except for a single CGU;
- the above-mentioned budget data are annual and therefore, for the comparison with the actual data for the half-year, prudence (incorporated especially for the expectations for the first half of the year) is instead spread linearly across the two half-year periods; thus, it is reasonable to assume an improvement in performance in the second half of the year (considering the likely relaxation of regulatory restrictions which, triggering a reduction of new admissions to the facilities, impacted performance in the first half of the year).

Also for the Zaffiro Group, the assessments performed on the basis of the current delicate situation highlight conditions of expected sustainability; the expected impact on the structure and on capital levels, as well as on the evolution of the profitability of the CGU under review, is substantially limited. Furthermore, performance is aligned with the forecasts that influenced the reference sector.
The above analyses do not provide elements such so as to lead us to believe that a quantitative analysis would lead to different results than the qualitative analysis described above, so as to lead to impairment in the goodwill recognised.

Considering that the recoverable amount is determined on the basis of estimates, the possibility of impairment losses on the goodwill mentioned above in future periods cannot be ruled out. Given the continuation of the market crisis situation, the various factors used in developing the estimates may be revised.

Ceramica Cielo

Operating cash flows for the explicit forecast period (2021-2023)

The cash flows identified in this method are those of an operating nature, destined for remuneration and possible repayment of all risk and debt capital providers.
The estimate of expected cash flows is determined on the basis of projections formalised in the Economic and Financial Plan approved by the administrative body of Ceramica Cielo S.p.A., developed with the appropriate prudence taking into account the specific context present at the valuation date caused by the health emergency.
For the purposes of the model used to calculate value in use, the 2021-2023 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 – Ke: overall, the identified cost of risk capital (Ke) was **9,9%**, based on using the following parameters:
  - The risk-free rate was determined with reference to 10-year Italian government bonds from the reporting date. The rate of return on risk-free investments was estimated on the basis of the average effective gross return on medium/long-term Italian government bonds (10-year BTP) recorded at the date of the verification and was **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 **0,90**.
    This coefficient was recalculated by assuming a financial structure typical of the sector in which the Company operates, for which a sector average gearing (ratio between debt capital (D) and the sum of equity capital (E) and debt capital (D+E)) of 25% was calculated and it was deemed reasonable to assume a relevered Beta of **1,13**, which was taken into account for the determination of the cost of capital Ke;
  - An estimated market risk premium was used for the Italian market equal to **5,2%***;*
  - From a prudential point of view, an overall specific risk premium/discount of **3%** has been set, which basically qualifies as an additional premium on the equity cost ("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 – Kd: an analysis of the cost of non-current debt was carried out and a cost of debt sustainable over the long-term of **4,00%** was recognised.
  Tax rate – *t*: a tax rate on business income (IRES) of 24,00% was applied.
  By applying a tax rate of 24,00%, the cost of the debt, net of the fiscal consequences, is equal to around 3,30%.

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

The WACC discount rate used for the assessment is therefore **8,0%**.

Impairment test results

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

(Amounts in Euro '000)	Carrying Amount 30.06.2020			Impairment test 30.06.2020		Sensitivity (worst)	
Impairment test Ceramica Cielo	Invested Capital (A)	PPA (brand capital gain) (B)	CGU carrying amount after PPA A+B=(C)	Recoverable value (EV) (D)	Capital gain (+) / Impairment loss (-) D-C	wacc +2% g=0 (E)	Capital gain (+) / Capital loss (-) E-C
Invested Capital	*12.055*	*4.300*	*16.355*	*54.063*		*37.649*	
Share pertaining to the Group (90%)			14.720	48.657		33.884	
Goodwill			5.551				
Group Invested capital + Goodwill			*20.271*	*48.657*	*28.386*	*33.884*	*13.614*

Sensitivity analysis

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

In particular, the impact on the value in use of an increasing change of up to 200 basis points in the discount rate and the reducing to zero of the growth rate g for the purpose of estimating the Terminal Value was verified. In the scenario analysed for the purposes of sensitivity, recoverable values would be approximately 30% lower than those determined for the purposes of the impairment test. However, even in this scenario, no cases of impairment would arise for the CGU.

Galassia

Operating cash flows for the explicit forecast period (2021-2023)

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 Galassia, developed with the appropriate prudence taking into account the specific context present at the valuation date caused by the health emergency.
For the purposes of the model used to calculate value in use, the 2021-2023 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 – Ke: overall, the identified cost of risk capital (Ke) was **9,9%**, based on using the following parameters:
  - The risk-free rate was determined with reference to 10-year Italian government bonds from the reporting date. The rate of return on risk-free investments was estimated on the basis of the average effective gross return on medium/long-term Italian government bonds (10-year BTP) recorded at the date of the verification and was **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 **0,90**.
    This coefficient was recalculated by assuming a financial structure typical of the sector in which the Company operates, for which a sector average gearing (ratio between debt capital (D) and the sum of equity capital (E) and debt capital (D+E)) of 25% was calculated and it was deemed reasonable to assume a relevered Beta of **1,13**, which was taken into account for the determination of the cost of capital Ke;
  - An estimated market risk premium was used equal to **5,2%**;
  - From a prudential point of view, an overall specific risk premium/discount of **3%** has been set, which basically qualifies as an additional premium on the equity cost ("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 – Kd: 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 tax rate on business income (IRES) of 24,00% was applied.
  By applying a tax rate of 24,00%, the cost of the debt, net of the fiscal consequences, is equal to around 3,0%.

- 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 reference valuation date, an average market leverage level was assumed. For the purposes of estimating a medium/long-term sustainable leverage ratio (D/E), it is considered reasonable to assume a value of 33,3%, corresponding to a financial structure coefficient D/(D+E) of **25,0%.**

The WACC discount rate used for the assessment is therefore **8,0%**.

Impairment test results

The result of the impairment analysis, carried out with reference to the Enterprise Value of the CGU compared to the corresponding value of the operating invested capital of the 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 amount (column D) significantly higher than the book value of the CGU post PPA (column C).

(Amounts in Euro '000)	Carrying Amount 30.06.2020			Impairment test 30.06.2020		Sensitivity (worst)	
Impairment test Galassia	**Invested Capital (A)**	**PPA (brand capital gain) (B)**	**CGU carrying amount after PPA A+B=(C)**	**Recoverable value (EV) (D)**	**Capital gain (+) / Impairment loss (-) D-C**	**wacc +2% g=0 (E)**	**Capital gain (+) / Capital loss (-) E-C**
Invested Capital	***14.319***	***1.520***	***15.839***	***42.657***		***26.714***	
Share pertaining to the Group (90%)			14.255	38.391		24.043	
Goodwill			4.423				
Group Invested capital + Goodwill			***18.678***	***38.391***	***19.713***	***24.043***	***5.365***

Sensitivity analysis

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

In particular, the impact on the value in use of an increasing change of up to 200 basis points in the discount rate and the reducing to zero of the growth rate g for the purpose of estimating the Terminal Value was verified. In the scenario analysed for the purposes of sensitivity, recoverable values would be approximately 37% lower than those determined for the purposes of the impairment test. However, even in this scenario, no cases of impairment would arise for the CGU.

Disegno Ceramica

Operating cash flows for the explicit forecast period (2021-2023)

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 Disegno Ceramica, developed with the appropriate prudence taking into account the specific context present at the valuation date caused by the health emergency.
For the purposes of the model used to calculate value in use, the 2021-2023 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 – Ke: overall, the identified cost of risk capital (Ke) was **9,9%**, based on using the following parameters:

- The risk-free rate was determined with reference to 10-year Italian government bonds from the reporting date. The rate of return on risk-free investments was estimated on the basis of the average effective gross return on medium/long-term Italian government bonds (10-year BTP) recorded at the date of the verification and was **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 **0,90**.
  This coefficient was recalculated by assuming a financial structure typical of the sector in which the Company operates, for which a sector average gearing (ratio between debt capital (D) and the sum of equity capital (E) and debt capital (D+E)) of 25% was calculated and it was deemed reasonable to assume a relevered Beta of 1,13, which was taken into account for the determination of the cost of capital Ke;
- An estimated market risk premium was used for the Italian market equal to **5,2%***;*
- From a prudential point of view, an overall specific risk premium/discount of **3%** has been set, which basically qualifies as an additional premium on the equity cost ("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 – Kd: an analysis of the cost of non-current debt was carried out and a cost of debt sustainable over the long-term of **4,00%** was recognised.
Tax rate – *t*: a tax rate on business income (IRES) of 24,00% was applied.
By applying a tax rate of 24,00%, the cost of the debt, net of the fiscal consequences, is equal to around 3,30%.

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

The WACC discount rate used for the assessment is therefore **8,0%**.

Impairment test results

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

(Amounts in Euro '000)	Carrying Amount 30.06.2020			Impairment test 30.06.2020		Sensitivity (worst)	
Impairment test Disegno Ceramica	Invested Capital (A)	PPA (brand capital gain) (B)	CGU carrying amount after PPA A+B=(C)	Recoverable value (EV) (D)	Capital gain (+) / Impairment loss (-) D-C	wacc +2% g=0 (E)	Capital gain (+) / Capital loss (-) E-C
Invested Capital	***6.167***	***-***	***6.167***	***10.374***		***7.264***	
Share pertaining to the Group (80%)			4.933	9.336		6.538	
Goodwill			2.071				
Group Invested capital + Goodwill			***7.004***	***9.336***	***2.332***	***6.538***	***(467)***

Sensitivity analysis

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

In particular, the impact on the value in use of an increasing change of up to 200 basis points in the discount rate and the reducing to zero of the growth rate g for the purpose of estimating the Terminal Value was verified. In the scenario analysed for the purposes of sensitivity, recoverable values would be approximately 30% lower than those determined for the purposes of the impairment test.
In this scenario, there would be an impairment loss of a substantially limited amount considering the underlying assumptions. Therefore, for the 2020 half-yearly financial statements, there are no issues concerning the recoverability of the goodwill recognised.

Sport Fashion Service

Operating cash flows for the explicit forecast period (2021-2024)

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 Sport Fashion Service, developed with the appropriate prudence taking into account the specific context present at the valuation date caused by the health emergency.
For the purposes of the model used to calculate value in use, the 2021-2024 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 – Ke: overall, the identified cost of risk capital (Ke) was **11,3%**, based on using the following parameters:
  - The risk-free rate was determined with reference to 10-year Italian government bonds from the reporting date. The rate of return on risk-free investments was estimated on the basis of the average effective gross return on medium/long-term Italian government bonds (10-year BTP) recorded at the date of the verification and was **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 **0,88**.
    This coefficient was recalculated by assuming a financial structure typical of the sector in which the Company operates, for which a sector average gearing (ratio between debt capital (D) and the sum of equity capital (E) and debt capital (D+E)) of 33,3% was calculated and it was deemed reasonable to assume a relevered Beta of **1,22**, which was taken into account for the determination of the cost of capital Ke;
  - An estimated market risk premium was used for the Italian market equal to **5,2%**;
  - From a prudential point of view, an overall specific risk premium/discount of **4%** has been set, which basically qualifies as an additional premium on the equity cost ("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 – Kd: an analysis of the cost of non-current debt was carried out and a cost of debt sustainable over the long-term of **4,00%** was recognised.
  Tax rate – *t*: a tax rate on business income (IRES) of 24,00% was applied.
  By applying a tax rate of 24,00%, the cost of the debt, net of the fiscal consequences, is equal to around 3,30%.

- Leverage ratio – D/(E+D): as regards leverage (i.e. the ratio between net financial debt - D - and total sources of financing - D+E - Equity), on the basis of the financial structure at the reference 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%, corresponding to a financial structure coefficient D/(D+E) of **33,3%.**

The WACC discount rate used for the assessment is therefore **8,6%**.

Impairment test results

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

(Amounts in Euro '000)	Carrying Amount 30.06.2020			Impairment test 30.06.2020		Sensitivity (worst)	
Impairment test Disegno Ceramica	**Invested Capital (A)**	**PPA**	**CGU carrying amount after PPA A+B=(C)**	**Recoverable value (EV) (D)**	**Capital gain (+) / Impairment loss (-) D-C**	**wacc +2% g=0 (E)**	**Capital gain (+) / Capital loss (-) E-C**
Invested Capital	***27.135***	***-***	***27.135***	***45.293***		***31.362***	
Share pertaining to the Group (90%)			24.421	40.764		28.226	
Goodwill			-				
Group Invested capital + Goodwill			***24.421***	***40.764***	***16.342***	***28.226***	***3.804***

Sensitivity analysis

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

In particular, the impact on the value in use of an increasing change of up to 200 basis points in the discount rate and the reducing to zero of the growth rate g for the purpose of estimating the Terminal Value was verified. In the scenario analysed for the purposes of sensitivity, recoverable values would be approximately 31% lower than those determined for the purposes of the impairment test. However, even in this scenario, no cases of impairment would arise for the CGU.

5. Property, plant and equipment

This item amounted to EUR 257,6 million, down by EUR 3 million compared to 31 December 2019. More specifically, the item saw the following changes:

	Land and buildings	Plant and machinery	Office machines and equipment	Rights of use	Other assets	Total
Values as at 01.01.2020	**31.732**	**26.596**	**5.820**	**193.382**	**3.027**	**260.557**
Changes in the year:						
- acquisitions	591	652	34	-	1.036	**2.313**
- disposals	-	-	(8)	(155)	-	**(163)**
- depreciation	(411)	(2.904)	(349)	(4.361)	(307)	**(8.332)**
- other changes	(11.421)	(325)	1.881	12.782	300	**3.217**

Total changes	**(11.241)**	**(2.577)**	**1.558**	**8.266**	**1.029**	**(2.964)**
Values as at 30.06.2020	**20.490**	**24.019**	**7.378**	**201.648**	**4.056**	**257.592**

The item is significantly influenced by the application of IFRS 16, as described in detail in other sections of this half-yearly report.

According to the IASB's publication of 10 April 2020[3], all entities need to provide useful information in the financial statements for evaluating the effect of Covid-19 on leased properties and the resulting potential impacts on the financial position and the economic result of the entity deriving from any impairment on the rights of use recognised in the financial statements or any modifications to lease agreements. In the current negative scenario deriving from the spread of the Covid-19 epidemic, no elements are emerging for the Group that have caused an extraordinary impact on the financial statement values as at 30 June 2020.

Indeed, specifically, the rights of use and lease liabilities recognised in the financial statements as at 30 June 2020 are represented almost entirely by real estate lease agreements for nursing homes for which there were no impacts in terms of:

- *impairment* of rights of use: during the first half of 2020, there were no early closures of lease agreements in order to achieve potential cost savings to handle the Covid-19 emergency, nor were there any closures of offices which may have given rise to indicators of impairment on rights of use recognised as at 30 June 2020;
- *lease modification*: the entities did not benefit from contractual renegotiations aiming to deal with the difficulties of the ongoing emergency.

6. Investments accounted for using the equity method

These amounted to EUR 6,0 million, down by EUR 0,1 million from the comparative period.

	30.06.2020	31.12.2019
Mittel Generale Investimenti S.r.l.	5.400	5.400
Mit.Fin S.p.A.	74	201
Superpartes S.p.A.	481	513
Total	**5.956**	**6.113**

The change in the item is as follows:

Name/company name	% interest	Values as at 01.01.2020	Purchases	Transfers	Profit/(loss), pro-rata	Adjustments to valuation reserve	Other changes	Dividends distributed	Values as at 30.06.2020
Associates									
Direct									
Mittel Generale Investimenti S.r.l.	27.00%	5.400	-	-	-	-	-	-	5.400
Mit.Fin Compagnia Finanziaria S.p.A.	30.00%	201	-	-	(126)	-	-	-	74
Through Earchimede S.p.A.									
Superpartes S.p.A.	11.86%	513	-	-	(31)	-	-	-	481
		6.113	**-**	**-**	**(158)**	**-**	**-**	**-**	**5.956**

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:

[3] "Accounting for covid-19-related rent concessions applying IFRS 16 Leases".

(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.	22.720	6.134	-	(734)	**5.400**
Mit.Fin Compagnia Finanziaria S.p.A.	248	74	-	-	**74**
Superpartes S.p.A.	1.017	119	364	-	**482**
	23.985	**6.327**	**364**	**(734)**	**5.956**
Total	**23.985**	**6.327**	**364**	**(734)**	**5.956**

Associates

The income statement and statement of financial position figures as at 30 June 2020 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	**2**	**914**	**21.434**
Financial receivables	-	-	19.618
Other financial assets	-	-	-
Current assets	**842**	**518**	**1.951**
Cash and cash equivalents	764	237	1.457
Total assets	**844**	**1.432**	**23.385**
Equity	**248**	**1.017**	**22.720**
Non-current liabilities	**39**	**168**	**479**
Non-current financial payables	-	-	-
Current liabilities	**557**	**247**	**186**
Current financial payables	-	50	-
Total equity and liabilities	**844**	**1.432**	**23.385**
Gross operating margin (EBITDA)	**(421)**	**1**	**(442)**
Costs for services	(483)	(163)	(137)
Operating result (EBIT)	**(422)**	**(2)**	**(534)**
Amortisation/depreciation	(2)	-	(9)
Value adjustments to financial assets	-	-	(91)
Financial income	1	-	697
Financial expenses	-	-	(34)
Profit (loss) from trading of financial assets	-	-	-
Profit (loss) before taxes	**(421)**	**(2)**	**129**
Income taxes	-	-	(104)
Profit (loss) for the year (1)	**(421)**	**(2)**	**25**
Other profits/(losses) components net of taxes (2)	-	-	-
Comprehensive profit (loss) (3) = (1) + (2)	**(421)**	**(2)**	**25**

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 30,2 million, down by EUR 3,3 million.

	30.06.2020	31.12.2019
Loans	29.923	32.937
Other receivables	268	523
Security deposits	-	-
	30.191	**33.460**

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 by Galassia S.r.l. (EUR 0,1 million).

The item Loans is composed as follows:

	30.06.2020	31.12.2019
- Loans - financial institutions	9.747	10.000
- Loans - customers	20.176	22.937
	29.923	**32.937**

With reference to the general situation of economic weakness generated by the Covid-19 epidemic, ESMA, already in its recommendation of 2 March 2020, highlighted the importance of providing all information relating to the actual and potential impacts of Covid-19 in order to meet the requirements of IFRS 7 "Financial instruments: disclosures".
In its recommendations, it also focused on the application of IFRS 9, as regards the calculation of expected credit losses, and on the relative disclosure requirements, also urging companies to explain the decisions made to define the impacts and represent to what extent the effects of Covid-19 have impacted the assessment of the significant increase in credit risk ("SICR"), the quantification of ECLs and the use of forward-looking information.
Considering what is set forth above, in performing the assessments, the impacts in terms of impairment pursuant to IFRS 9 have been adequately taken into consideration; in particular, the parameters of the valuation model were updated to incorporate expectations concerning GDP and forward looking information which incorporates the effect of Covid-19. The results of the above-mentioned assessments indeed led to an aggravation of write-downs recognised in the financial statements.

8. Other financial assets

These totalled EUR 14,5 million, down by EUR 1,9 million.

The item is composed as follows:

	30.06.2020	31.12.2019
Financial assets		
Equities and fund units	14.041	15.946
Bonds and other assets	415	415
	14.456	**16.361**

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

	30.06.2020	31.12.2019
Equities and fund units:		
Augusto Fund	10.250	11.524
Equinox Two S.c.a.	490	701
Cosimo I Fund	416	582
SIA - SSB S.p.A.	1.400	1.400
Opera 2 Partecipations S.C.A.	-	249
Medinvest International S.A.	426	426
Investitori Associati II S.A.	833	833
Nomisma S.p.A.	100	100
Isfor 2000 S.c.p.a.	3	3
House Lab s.r.l.	100	100
Other	24	27
Bonds and other assets:		
BTP mat. 01/11/23	295	295
Generali life policy	120	120
	14.456	**16.361**

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

Amounts in thousands of Euro

Name/company name	Values as at 01.01.2020	Purchases and subscriptions	(Recall of funds) Reimbursements	Transfers	Capital gains (losses)	Write-downs for impairment	Fair value adjustments	Values as at 30.06.2020
Equities and fund units:								
Augusto Fund	11.524	-	-	-	-	-	(1.274)	10.250
Equinox Two S.c.a.	701	-	-	-	-	-	(211)	490
Cosimo I Fund	582	-	(164)	-	-	-	(3)	416
SIA - SSB S.p.A.	1.400	-	-	-	-	-	-	1.400
Opera 2 Partecipations S.C.A.	249	-	(458)	-	209	-	-	-
Medinvest International S.A.	426	-	-	-	-	-	-	426
Investitori Associati II S.A.	833	-	-	-	-	-	-	833
Nomisma S.p.A.	100	-	-	-	-	-	-	100
Isfor 2000 S.c.p.a.	3	-	-	-	-	-	-	3
House Lab s.r.l.	100	-	-	-	-	-	-	100
Other	27	-	-	(3)	-	-	-	24
Bonds and other assets:								
BTP mat. 01/11/23	295	-	-	-	-	-	-	295
Generali life policy	120	-	-	-	-	-	-	120
	16.361	**-**	**(622)**	**(3)**	**209**	**-**	**(1.488)**	**14.456**

Net decreases from valuation, totalling EUR 1,5 million, are explained by the effect of the write-downs of assets owned by the Parent Company for EUR 1,4 million and net write-downs for EUR 0,1 million recognised by Earchimede S.p.A. (write-downs for EUR 0,2 million and revaluations for EUR 0,1 million).

Considering that fair value measurements should reflect the assumptions of market participants and market data at the measurement date in current market conditions, the Group has assessed the adequacy of the fair value measurements based on non-observable inputs (Level 3) with a view to intercepting any effects of Covid-19 in expectations of future cash flows correlated with the asset or the liability at the reporting date. Against the assessments performed, there were extraordinary write-downs linked to the Covid-19 epidemic; specifically for the Augusto Fund, the measurement deteriorated considerably as it was based on the updated report that also included the effects of Covid-19.

9. Sundry receivables and other assets

The "Sundry receivables and other non-current assets" item totalled EUR 0,5 million (EUR 0,9 million as at 31 December 2019) and is composed as follows:

	30.06.2020	31.12.2019
Tax receivables	114	114

Other receivables	232	691
Other assets	136	94
	482	**898**

10. Deferred tax assets

These totalled EUR 13,2 million, up by EUR 1,8 million.

	30.06.2020	31.12.2019
Tax assets recognised through profit or loss	13.063	10.997
Tax assets recognised in equity	176	420
	13.239	**11.417**

	30.06.2020	31.12.2019
Deferred tax assets		
Property, plant and equipment / intangibles assets	107	135
Allocations	19	157
Other assets / liabilities	7.113	5.019
Losses carried forward	6.000	6.091
Other	-	15
	13.239	**11.417**

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

	30.06.2020	31.12.2019
Opening balance	**10.997**	**4.320**
Increases	**2.144**	**5.631**
Deferred tax assets recorded in the period:	**-**	**17**
- relating to previous years	-	-
- other	-	17
Increases in tax rates	-	-
Other increases	2.144	5.614
Decreases	**(78)**	**1.045**
Deferred tax assets cancelled in the period:	**-**	**-**
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	(78)	1.045
	13.063	**10.997**

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

	30.06.2020	31.12.2019
Opening balance	**420**	**266**
Increases	**7**	**155**
Deferred tax assets recorded in the period:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	7	155
Decreases	**(250)**	**-**
Deferred tax assets cancelled in the period:	**-**	**-**
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	(250)	-
	176	**420**

Deferred tax assets are recognised to the extent it is deemed likely that taxable profits will be generated to allow the use of the amount recognised as at 30 June 2020.

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 in the inclusion in the consolidated tax perimeter of companies with considerable taxable income and the resulting radical changes in the expectations for the recovery of latent tax benefits, deferred tax assets were allocated beginning last year on the sizeable tax losses and other latent tax benefits that were accrued as part of the tax consolidation in previous years.

As at 30 June 2020, the remaining usable previous losses pertaining to the tax consolidation amount to approximately EUR 46 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 approximately EUR 16 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 upcoming years, we expect that acquisitions already made or future acquisitions of highly profitable operating businesses with consistent outlook taxable income will make it possible, through the inclusion of the new companies acquired within the Mittel S.p.A. tax consolidation, to value additional latent tax benefits present at Group level, at the moment not yet valued at accounting level.

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

Current assets

11. Inventories

The item amounted to EUR 74,5 million, a decrease of EUR 3,0 million compared to the previous year. In particular, the item is composed as follows:

	30.06.2020	31.12.2019
Property inventories	48.814	51.859
Inventories of goods and products	22.208	23.130
Inventories of raw materials	3.508	3.526
	74.530	**78.514**

Property inventories

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

	30.06.2020	31.12.2019
Gamma Tre S.r.l.	2.900	2.900
Mittel Investimenti Immobiliari S.r.l.	25.954	29.852
MiVa S.r.l.	16.065	15.521
Parco Mediterraneo S.r.l.	2.300	2.300
Regina S.r.l.	1.596	1.285
Total	**48.814**	**51.859**

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

	31.12.2019	initiative transfer/other	Increase for capitalisation of costs	Decrease for sales	Write-downs	Changes in advances	30.06.2020
Gamma Tre S.r.l.	2.900	-	-	-	-	-	2.900
Mittel Investimenti Immobiliari S.r.l.	29.852	-	-	(3.898)	-	-	25.954
MiVa S.r.l.	15.521	-	569	-	-	(25)	16.065
Regina S.r.l.	1.285	-	311	-	-	-	1.596
Parco Mediterraneo S.r.l.	2.300	-	-	-	-	-	2.300
Total	**51.859**	**-**	**879**	**(3.898)**	**-**	**(25)**	**48.814**

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 appraisals of the individual properties by external experts on an annual basis.

The market value of the property portfolio

Market value means the value determined by appraisals of individual properties, carried out by external experts on an annual basis; 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 involve 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 is 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 is 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.

As regards the most recent developments, despite the difficult reference context arising from the health emergency, at the moment no situations have been identified that require the recognition of additional write-downs on the carrying amounts recognised as at 30 June 2020, primarily in consideration of the following factors: (i) in recent years, the carrying amounts have suffered from considerable declines, reaching very prudent amounts, which incorporate, for the more difficult to divest properties, significant specific risk factors and rather extended times to achieve gains on sale; (ii) the significant sales in recent years have resulted in a strong contraction in the incidence of the weight of inventories on consolidated data; (iii) the residual portfolio belongs primarily to asset classes potentially less impacted by possible impairment (which is also currently difficult to measure), which could arise in the upcoming months as a result of the crisis triggered by the health emergency; (iv) the management systematically oversees initiatives to increase the value of the projects held and the correlated risks, reactively taking all measures that are necessary based on developments in the market in general and specifically with reference to the location of the properties. Therefore, the Group management will continue to closely monitor the evolution of the crisis and the ensuing risks concerning the portfolio held and will update its assessments when preparing the financial statements at the end of the year, when there will be clearer information concerning the phenomena that will take place following evolutions in the crisis impacting the global market, which it will be possible to incorporate into the appraisals that will be requested to that end from external appraisers normally used by the Group.

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 3,7 million for IMC S.p.A.;
- EUR 0,5 million for Balder S.r.l.;
- EUR 6,0 million for Ceramica Cielo S.p.A.;
- EUR 4,0 million for Disegno Ceramica S.r.l.;
- EUR 5,6 million for Galassia S.r.l.;
- EUR 0,2 million for Galassia Hispania;
- EUR 5,6 million for Sport Fashion Service S.r.l.;
- EUR 0,1 million for the Zaffiro Group companies.

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

	30.06.2020	31.12.2019
Loans	3	-
Other receivables	-	25
	3	**25**

13. Tax assets

The item amounted to EUR 0,6 million, a decrease of EUR 1,0 million.

	30.06.2020	31.12.2019
IRES (corporate income tax)	181	1.159
IRAP (regional business tax)	446	455
	627	**1.614**

IRES current tax assets refer primarily to Lucianita S.r.l. (EUR 45,1 thousand), Earchimede S.p.A. (EUR 45,4 thousand), the Nursing Home sector companies (EUR 42,3 thousand), Mittel Design S.r.l. (EUR 15,4 thousand) and Disegno Ceramica S.r.l. (EUR 30 thousand).

The IRAP receivable is mainly due to advances paid 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:

	30.06.2020	31.12.2019
Opening balance	**1.614**	**5.413**
Increases	**347**	**911**
Current tax assets recorded in the year:	**-**	**-**
- relating to previous years	-	-
- other	-	-
Other increases	347	911
Decreases	**(1.334)**	**(4.710)**
Current tax assets cancelled in the year:	**-**	**-**
- reimbursements	-	-
Other decreases	(1.334)	(4.710)
	627	**1.614**

14. Sundry receivables and other assets

The item amounted to EUR 41,6 million, a decrease of EUR 8,6 million, and was composed as follows:

	30.06.2020	31.12.2019
Trade receivables	27.599	39.247
Other tax receivables	3.440	5.250
Other receivables	7.528	4.585
Accrued income and prepaid expenses	3.065	1.119
	41.632	**50.200**

The item “Trade receivables” is mainly comprised of receivables due from customers deriving from ordinary operations of Group companies.
The tax receivables refer mainly, for EUR 3,0 million, to VAT receivables.
The “Other receivables” item is mainly due to the contribution of: (i) the Automotive sector for EUR 0,5 million; (ii) the Nursing Home sector for EUR 3,4 million; (iii) the Design sector for EUR 1,8 million; (iv) Fashion District Group S.r.l. in liquidation for Euro 0,5 million; (v) the Clothing sector for EUR 0,8 million and Mittel S.p.A. for EUR 0,5 million.
The “Accrued income and prepaid expenses” item is mainly due to the contribution of: (i) the Design sector for EUR 0,3 million; (ii) the Nursing Home sector for EUR 2,1 million; (iii) the Clothing sector for EUR 0,1 million; (iv) the Automotive sector for EUR 0,3 million and the Parent Company for EUR 0,2 million.

15. Cash and cash equivalents

Cash and cash equivalents, amounting to EUR 184,7 million (EUR 173,2 million as at 31 December 2019), include cash held by Group companies and investments in bank deposits. The item is composed as follows:

	30.06.2020	31.12.2019
Cash	122	103
Bank and postal deposits	184.558	173.062
	184.680	**173.165**

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

Statement of financial position - Liabilities

Equity

16. Equity pertaining to the Group

Equity pertaining to the Group stood at EUR 214,9 million, a decrease of EUR 5,2 million from 31 December 2019.

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

	30.06.2020	31.12.2019
Share capital	87.907	87.907
Legal reserve	17.581	17.581
Treasury shares	-	-
Share/holding premium reserve	53.716	53.716
Valuation reserves	(598)	(825)
Other reserves	26.423	27.136
Profit (loss) of previous years	35.424	34.162
Profit (loss) for the year	(5.523)	450
Equity	**214.930**	**220.127**

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

Share capital

The shareholders' meeting resolution of 29 April 2019 approved the cancellation of the 6.559.649 treasury shares previously held by Mittel S.p.A. through the simultaneous elimination of the expressed nominal value of the ordinary shares, thus without reducing the amount of share capital. As a result of this resolution, as at 30 June 2020, the share capital of EUR 87.907.017 was broken down into 81.347.368 shares with no nominal value.

Treasury shares

As at 30 June 2020, 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 01.10.2020	Effects of the first-time adoption of IFRS 9	Fair value changes		Release of reserve to the income statement for transfers of financial assets	Release of reserve to the income statement for fair value impairment	Valuation reserve pertaining to the Group as at 30.06.2020	Share pertaining to non-controlling interests as at 30.06.2020	Total valuation reserve as at 30.06.2020
			Increases	Decreases					
Cash flow hedge reserve									
Hedging derivatives	(63)	-	28	-	-	-	(35)	(5)	(40)
Total	**(63)**	**-**	**28**	**-**	**-**	**-**	**(35)**	**(5)**	**(40)**
Employee defined benefit plans (IAS 19 revised):									
Actuarial gains and losses reserve	(763)		200	-		-	(563)	12	(551)
	(763)		**200**	**-**	**-**	**-**	**(563)**	**12**	**(551)**
	(826)	**-**	**228**	**-**	**-**	**-**	**(598)**	**7**	**(591)**

Other comprehensive profits/(losses)

The value of "Other comprehensive profits/(losses)" is composed as follows:

Amounts in thousands of Euro			Non-controlling interests		Profit (loss) pertaining to the Group	
	01.01.2020 30.06.2020	**01.01.2019 30.06.2019**	**01.01.2020 30.06.2020**	**01.01.2019 30.06.2019**	**01.01.2020 30.06.2020**	**01.01.2019 30.06.2019**
Profit/(loss) for the period (A)	**(5.745)**	**807**	**(223)**	**458**	**(5.522)**	**349**
Effective part of the cash flow hedges	38	(106)	10	(18)	28	(88)
Profits/(losses) from recalculation of financial assets	-	-	-	-	-	-
Profits/(losses) from the sale of financial assets	-	-	-	-	-	-
Release to the income statement of losses for fair value impairment on financial assets	-	-	-	-	-	-
Profits/(losses) of companies measured using the equity method	-	-	-	-	-	-
Profits/(losses) from remeasurement of defined benefit plans	383	(332)	150	(31)	233	(301)
Tax effect relating to other profits/(losses)	(53)	82	(20)	14	(33)	68
Total other profits/(losses), net of taxes (B)	**368**	**(356)**	**140**	**(35)**	**228**	**(321)**
Total comprehensive profit/(loss) (A) + (B)	**(5.377)**	**451**	**(83)**	**423**	**(5.294)**	**28**

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

	01.01.2020 30.06.2020			01.01.2019 30.06.2019		
	Gross value	**Tax expense/benefit**	**Net value**	**Gross value**	**Tax expense/benefit**	**Net value**
Effective part of the cash flow hedges	38	-	38	(106)	26	(80)
Profits/(losses) from recalculation of financial assets	-	-	-	-	-	-
Profits/(losses) from the sale of financial assets	-	-	-	-	-	-
Release to the income statement of losses for fair value impairment on financial assets	-	-	-	-	-	-
Profits/(losses) of companies measured using the equity method	-	-	-	-	-	-
Profits/(losses) from remeasurement of defined benefit plans	383	(53)	330	(332)	56	(276)
Other components of the statement of comprehensive income reclassified to the income statement	-	-	-	-	-	-
Total other profits/(losses)	**421**	**(53)**	**368**	**(438)**	**82**	**(356)**

17. Non-controlling interests

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

	30.06.2020	31.12.2019
Share capital pertaining to non-controlling interests	16.381	16.677
Treasury shares pertaining to non-controlling interests	-	-
Other reserves pertaining to non-controlling interests	815	528
Non-controlling interests - Valuation reserve of financial assets	-	-
Non-controlling interests - Cash flow hedge reserve	(5)	(15)
Non-controlling interests - Valuation reserve IAS 19	12	(118)
Profit (loss) for the period pertaining to non-controlling interests	(223)	(197)
Equity pertaining to non-controlling interests	**16.980**	**16.875**

Non-current liabilities

18. Bonds

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

	30.06.2020	31.12.2019
Current portion	2.062	2.089
Non-current portion	129.335	129.308
	131.397	**131.397**

As at 30 June 2020, 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 30 June 2020, the book value of the liability for bonds breaks down as follows:

	30.06.2020	31.12.2019
“Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75%		
Current portion	2.062	2.089
Non-current portion	129.335	129.308
Total bonds	***131.397***	***131.397***

The table below shows the differential between the nominal value of the bond issue (including the coupon accrued at 30 June 2020) 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.

	30.06.2020	31.12.2019

Current portion		
"Mittel S.p.A. 2017-2023" bonds, fixed rate 3,75% (coupon in the process of maturity)	2.062	2.089
Non-current portion		
"Mittel S.p.A. 2017-2023" bonds, fixed rate 3,75% (repayment value at maturity)	129.515	129.515
Total nominal repayment value	**131.577**	**131.604**
Measurement at amortised cost	(180)	(207)
Total book value	**131.397**	**131.397**

The fair value as at 30 June 2020 of the bond issue is EUR 132,8 million (clean price on a 100 par value equal to 100,98).

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 bond 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 bond 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).

As noted in other sections of this report, in July the Board of Directors of Mittel approved the exercise of that right to early repayment for a portion of the bond equal to EUR 50,6 million in nominal value. The transaction was finalised on 14 August 2020. The portion repaid remained recognised under non-current liabilities in compliance with the provisions, post amendment, of IAS 1.

19. Financial payables

As at 30 June 2020, the item amounted to EUR 264,9 million, an increase of EUR 2,9 million over the previous year.

The item is composed as follows:

	30.06.2020	31.12.2019
Bank loans	46.397	58.306
Other loans	1.951	1.929
Other financial payables	791	832
Liabilities for rights of use	215.738	200.909
	264.877	**261.976**

The main contributions to the "Bank loans" item are as follows: IMC S.p.A. for EUR 18,4 million, the Nursing Home sector for EUR 14,2 million, Galassia S.r.l. for EUR 7,3 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 0,7 million.
The "Other loans" item consists of the loan from the third party shareholder of IMC S.p.A., represented by the selling party of the company, which reinvested in the vehicle Mittel Automotive S.r.l. with a 25% interest, also participating proportionally in the share of the equity of the company financed with shareholders' debt. The debt was transferred to IMC as a result of the reverse merger by 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; (ii) Zaffiro Nord 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)		
	30/06/2020	**31/12/2019**
Liabilities for short-term leases	(4.587)	(5.273)
Liabilities for medium/long-term leases	(215.738)	(200.909)
Total lease liabilities	**(220.325)**	**(206.182)**

The interest expense accrued in the half-year on the financial liabilities booked pursuant to IFRS 16 amounted to a total of EUR 3.506 thousand.

20. Other financial liabilities

As at 30 June 2020, the item amounted to EUR 6 million (EUR 6,0 million as at 31 December 2019).

	30.06.2020	**31.12.2019**
Derivative financial instruments	207	253
Other liabilities	5.705	5.705
	5.912	**5.958**

The item "Derivative financial instruments" consists of the contribution from Zaffiro Nord S.r.l. for EUR 88 thousand, from IMC S.p.A. for EUR 60 thousand, from Galassia S.p.A. for EUR 51 thousand and from Ceramica Cielo S.p.A. for EUR 9 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..

21. Provisions for personnel

The item amounted to EUR 7,5 million, a decrease of EUR 0,2 million, and was composed as follows:

	30.06.2020	**31.12.2019**
Employee severance indemnity	7.396	7.606
Other allowances	121	116
	7.517	**7.722**

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

	30.06.2020	**31.12.2019**
Opening balances	**7.606**	**5.284**
Increases:		
- Allocation for the period	1.129	1.861
- Increase due to business combinations	-	847
- Other increases	216	1.028
Decreases:		
- Utilisations	(285)	(132)
- Other decreases	(1.269)	(1.282)
	7.396	**7.606**

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 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 2020 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.

22. Deferred tax liabilities

These amounted to EUR 8,7 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:

	30.06.2020	31.12.2019
Tax liabilities recognised through profit or loss	8.638	9.051
Tax liabilities recognised in equity	86	47
	8.724	**9.098**

	30.06.2020	31.12.2019
Deferred liabilities		
Receivables	36	36
Assets/liabilities held for sale	22	22
Property, plant and equipment / intangibles assets	5.045	6.872
Other assets / liabilities	3.620	2.167
	8.724	**9.098**

This item is primarily broken down into: (i) EUR 4,1 million from the contribution of IMC S.p.A.; (ii) EUR 2,2 million from companies in the Nursing Home sector; (iii) EUR 1,5 million from Galassia S.r.l.; (iv) EUR 0,6 million from Disegno Ceramica S.r.l.; (v) EUR 0,2 million from Sport Fashion Service S.r.l. and EUR 0,1 million from Ceramica Cielo S.p.A.

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

	30.06.2020	31.12.2019
Opening balance	**9.051**	**6.968**
Increases	**40**	**(31)**
Deferred taxes recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	40	(31)
Decreases	**(452)**	**2.114**
Deferred taxes cancelled in the period:	-	-
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	(452)	2.114
	8.638	**9.051**

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

	30.06.2020	31.12.2019
Opening balance	**46**	**73**
Increases	**40**	**16**
Deferred taxes recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Increases in tax rates	-	-
Other increases	40	16
Decreases	**(1)**	**(43)**
Deferred taxes cancelled in the period:	-	-
- reversals	-	-
Decreases in tax rates	-	-
Other decreases	(1)	(43)
	85	**46**

23. Provisions for risks and charges

The item amounted to EUR 2 million, an increase of EUR 0,1 million, and was composed as follows:

	30.06.2020	31.12.2019
Provision for risks:		
Legal disputes	687	688
Disputes with personnel	-	-
Contractual disputes	-	-
Other disputes	986	566
Other provisions:		
Expenses for personnel	-	-
Other expenses	315	685
	1.988	**1.939**

The item saw the following changes:

	30.06.2020	31.12.2019
Opening balance	**1.939**	**1.506**
Increases:		
Allocation for the period	416	238
Other increases	65	645
Decreases:		
Utilisations in the period	-	(9)
Other decreases	(432)	(441)
	1.988	**1.939**

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 0,4 million is attributable to the allocation based on the best estimate of legal costs associated with pending legal disputes (with related risk of the dispute improbable and therefore not subject to allocation, in line with the provisions of IAS 37). The provision for Fashion District Group S.r.l. in liquidation, amounting to EUR 0,6 million, refers to a tax dispute concerning the classification of properties previously held in Molfetta.

24. Sundry payables and other non-current liabilities

These amounted to EUR 0,7 million (EUR 0,8 million as at 31 December 2019) 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

25. 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 30 June 2020, as detailed in note 18.

26. Financial payables

These amounted to EUR 20,5 million, up by EUR 1,1 million.

The item is composed as follows:

	30.06.2020	31.12.2019
Bank loans	6.318	6.391
Current portion of medium/long-term bank loans	8.824	7.108
Other loans	712	597
Other financial payables	26	51
Liabilities for rights of use	4.587	5.273
	20.467	**19.420**

Bank loans are composed of hot money or other short-term credit facilities granted by banks, regulated at rates indexed to the 1-3 month Euribor with short-term expiry, of which EUR 1,4 million refers to companies in the Nursing Home sector, EUR 3,6 million to Galassia S.r.l. and EUR 1,3 million to Disegno Ceramica S.r.l.

The “Current portion of medium/long-term bank loans” item mainly includes EUR 2,3 million for Sport Fashion Service S.r.l., EUR 1,2 million for Ceramica Cielo S.p.A. and EUR 5,3 million for the companies of the Nursing Home sector.

The item “Other loans” mainly consists 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 0,4 million).

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

27. Other current financial liabilities

	30.06.2020	31.12.2019
Other liabilities	5.727	6.368
	5.727	**6.368**

28. Current tax liabilities

This item totalled EUR 0,7 million, down EUR 0,9 million from the prior year, and is composed of tax liabilities broken down as follows:

	30.06.2020	31.12.2019
IRES (corporate income tax)	224	281
IRAP (regional business tax)	495	1.349
Other	2	13
	721	**1.643**

	30.06.2020	31.12.2019
Opening balance	**1.643**	**137**
Increases	**168**	**1.583**

Current tax liabilities recorded in the period:	-	-
- relating to previous years	-	-
- other	-	-
Other increases	168	1.583
Decreases	**(1.091)**	**(77)**
Current tax liabilities cancelled in the period:	-	-
- reimbursements	-	-
Other decreases	(1.091)	(77)
	721	**1.643**

The item mainly consists of the contribution of (i) companies in the Nursing Home sector (EUR 0,3 million), (ii) Sport Fashion Service S.r.l. (EUR 0,2 million), (iii) I.M.C. S.p.A. (EUR 0,1 million) and Ceramica Cielo S.p.A. (EUR 0,1 million).

29. Sundry payables and other liabilities

This item amounted to EUR 48,6 million, down by EUR 5,9 million compared to the previous year. The item is composed as follows:

	30.06.2020	31.12.2019
Trade payables	27.823	35.934
Tax payables	2.745	2.707
Payables relating to employees	5.711	4.685
Payables relating to other personnel	4	1
Payables due to directors and statutory auditors	621	994
Payables due to social security institutions	2.879	3.515
Other payables	6.830	5.673
Accrued expenses and deferred income	1.998	967
	48.611	**54.476**

The “Trade payables" item mainly includes: EUR 10,9 million in payables recorded by companies in the Nursing Home sector, EUR 4,4 million by Ceramica Cielo S.p.A., EUR 2,7 million by IMC S.p.A., EUR 1,2 million by Sport Fashion Service S.r.l., EUR 3,5 million by Galassia S.r.l., EUR 2,2 million by Disegno Ceramica S.r.l., EUR 1,6 million by the Parent Company Mittel, EUR 0,7 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 3,4 million by advances and earnest money received by the Real Estate companies;
(ii) for EUR 1,2 million by the contribution from companies in the Nursing Home sector;
(iii) for EUR 0,8 million by the contribution of IMC S.p.A.;
(iv) for EUR 0,8 million by the contribution of Sport Fashion Service S.r.l.;
(v) for EUR 0,3 million by the contribution of Mittel Design S.r.l.;
(vi) for EUR 0,2 million by the contribution of Galassia S.r.l.
(vii) for EUR 0,1 million by the contribution of Balder S.r.l.

Information on the Consolidated Income Statement

30. Revenue

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

	30.06.2020	30.06.2019
Revenue from sales	37.231	39.503
Revenue from property sales	4.163	12.242
Revenue from rent	121	127
Revenue from provision of services	25.370	14.219
	66.885	**66.091**

The item revenue from sales refers primarily to the Automotive sector (EUR 9,8 million; EUR 18,8 million as at 30 June 2019), Ceramica Cielo S.p.A. (EUR 12,1 million; EUR 14,9 million as at 30 June 2019), Disegno Ceramica S.r.l. (EUR 3,8 million), Galassia S.r.l. and its investee Galassia Hispania (EUR 8,5 million) and Sport Fashion Service S.r.l. (EUR 3 million).

The "Revenue from property sales" item refers to revenue from sales of property inventories. Specifically, it consists of the contribution of Mittel Investimenti Immobiliari for EUR 4,2 million (EUR 12,1 million as at 30 June 2019).

The item "Revenue from rent" is primarily due to revenues from lease agreements of real estate companies in the Group for EUR 103 thousand (EUR 105 thousand as at 30 June 2019).

Revenue from provision of services refers mainly to services provided by companies in the Nursing Home sector for EUR 25,3 million (EUR 14,2 million as at 30 June 2019).

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.

	Operating sector						
Geographic market	**Automotive**	**Design**	**Fashion**	**Nursing Homes**	**Real Estate**	**Investments**	**Total**
Italy	1.704	19.289	2.886	25.345	4.266	25	53.515
Abroad	8.113	5.087	170	-	-	-	13.370
	9.817	**24.376**	**3.056**	**25.345**	**4.266**	**25**	**66.885**

31. Other income

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

	30.06.2020	30.06.2019
Recoveries of various expenses	238	-
Extraordinary contingent assets	789	563
Income from elimination of assets	553	75
Other revenue and income	936	1.327
	2.516	**1.965**

Contingent assets mainly include EUR 0,4 million for Ceramica Cielo S.p.A., EUR 0,1 million for Mittel S.p.A. and EUR 0,2 million for the Nursing Home sector.

The item “Income from elimination of assets” is due to the contribution from companies in the Nursing Home sector for EUR 0,6 million.

The “Other revenue and income” item is mainly composed of the contribution of Ceramica Cielo S.p.A. (EUR 0,6 million; EUR 0,7 million as at 30 June 2019), companies in the Automotive sector (EUR 0,1 million) and Galassia S.r.l. (EUR 0,1 million).

32. Changes in inventories

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

	30.06.2020	30.06.2019
Increases in property inventories	906	484
Decreases in property inventories	(3.931)	(11.065)
Impairment losses in property inventories	-	-
Change in inventories of goods and products	(583)	1.162
Change in inventories of raw materials	(524)	(470)
Impairment losses in inventories	-	-
	(4.131)	**(9.890)**

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 0,4 million, Sport Fashion Service S.r.l. for a negative EUR 0,8 million, Galassia S.r.l. for EUR 0,5 million, Balder S.r.l. for a negative 0,1 million, Disegno Ceramica S.r.l. for a negative EUR 0,4 million and IMC S.p.A. for EUR 1,5 million.

33. Costs for purchases

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

	30.06.2020	30.06.2019
Purchases and property increases	(16.646)	(17.744)
Provision of services and consultancy	(685)	(121)
Urbanisation expenses	(251)	-
Insurance	(4)	(4)
Maintenance	(111)	(142)
Other	(278)	(40)
	(17.975)	**(18.052)**

The main contributions to the item were from the company Ceramica Cielo S.p.A. for EUR 4,1 million (EUR 5 million as at 30 June 2019), IMC S.p.A. for EUR 3,5 million (EUR 10,4 million as at 30 June 2019), Sport Fashion Service S.r.l. and its investee Fremil GmbH for EUR 3,3 million, Galassia and its investee Galassia Hispania for EUR 2,5 million, companies in the Nursing Home sector for EUR 1,9 million (EUR 1,2 million as at 30 June 2019), Disegno Ceramica S.r.l. for EUR 1,2 million, companies in the Real Estate sector for EUR 0,9 million (EUR 0,6 million as at 30 June 2019) and Balder S.r.l. for EUR 0,6 million (EUR 0,7 million as at 30 June 2019).

34. Costs for services

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

	30.06.2020	30.06.2019
Legal consultancy	(151)	(405)
Notary consultancy	(205)	(141)
Other consultancy	(3.698)	(1.928)
General services and maintenance	(3.638)	(2.857)
Administrative, organisational and audit services	(149)	(218)
Directors' fees	(1.523)	(1.058)
Board of Statutory Auditors’ fees	(213)	(170)
Supervisory Body’s fees	(60)	(29)
Fees for prosecutors and Manager in charge	(8)	(8)
Rentals	(269)	24
Leases	(147)	(784)
Insurance	(365)	(260)
Utilities	(2.309)	(1.998)
Advertising	(677)	(456)
Other services	(2.018)	(1.409)
	(15.432)	**(11.699)**

The main contributions to the costs for services were from companies in the Nursing Home sector for EUR 6,2 million (EUR 3,9 million as at 30 June 2019), Ceramica Cielo S.p.A. for EUR 2,7 million (EUR 3,2 million as at 30 June 2019), Mittel S.p.A. for EUR 1 million (EUR 1,2 million as at 30 June 2019), Galassia and its investee Galassia Hispania for EUR 1,8 million, IMC S.p.A. for EUR 0,8 million (EUR 1,2 million as at 30 June 2019), the Real Estate sector for EUR 0,6 million (EUR 1,1 million as at 30 June 2019), Disegno Ceramica S.r.l. for EUR 0,9 million, Balder S.r.l. for EUR 0,3 million (EUR 0,3 million as at 30 June 2019) and Sport Fashion Service S.r.l. and its investee Fremil GmbH for EUR 1 million.

35. Personnel costs

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

	30.06.2020	30.06.2019
Wages and salaries	(16.450)	(12.621)
Social security costs	(4.826)	(3.576)
Allocation to employee severance indemnity	(1.469)	(593)
Payments to external supplementary pension funds	(14)	(14)
Other personnel costs	(459)	(598)
	(23.217)	**(17.402)**

In particular, personnel costs include EUR 11,6 million from the Nursing Home sector (EUR 9,2 million as at 30 June 2019), EUR 3 million from Ceramica Cielo S.p.A. (EUR 3,5 million as at 30 June 2019), EUR 1,7 million from IMC S.p.A. (EUR 2,5 million as at 30 June 2019), EUR 2,7 million from Galassia S.r.l. and its investee Galassia Hispania, EUR 1,2 million from the Parent Company Mittel (EUR 1,6 million as at 30 June 2019), EUR 1,6 million from Disegno Ceramica S.r.l., EUR 1 million from Sport Fashion Service S.r.l., EUR 0,3 million from Balder S.r.l. (EUR 0,4 million as at 30 June 2019) and EUR 0,1 million from Mittel Investimenti Immobiliari S.r.l. (EUR 0,1 million as at 30 June 2019).

Average number of Group employees broken down by category:

	Exact number at 30 June 2020	Half-year average 2020	Average in the year 2019
Managers	17	16	13
Officials	22	24	22
Employees	165	166	128
Blue-collar staff	1.137	1.119	854
Total	**1.341**	**1.325**	**1.017**

36. Other costs

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

	30.06.2020	30.06.2019
Taxes and duties	(683)	(661)
Losses on receivables	-	(2)
Capital losses from transfer of property, plant and equipment	-	(254)
Extraordinary contingent liabilities	(319)	(323)
Other sundry operating expenses	(494)	(263)
	(1.496)	**(1.504)**

The "Taxes and duties" item is mainly composed of indirect taxes (mainly non-deductible VAT) of Mittel S.p.A. for EUR 0,2 million, of the Real Estate sector for EUR 0,1 million, the Nursing Home sector for EUR 0,2 million and Galassia S.r.l. for EUR 0,1 million.

Other operating expenses are mainly linked to the Parent Company (EUR 0,1 million), Ceramica Cielo S.p.A. (EUR 0,1 million), Galassia S.r.l. (EUR 0,1 million), Disegno Ceramica S.r.l. (EUR 0,1 million) and IMC S.p.A. (EUR 0,1 million).

37. Amortisation and value adjustments to intangible assets

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

	30.06.2020	30.06.2019
Intangible assets		
Amortisation	(140)	(68)
Impairment losses	-	26
Property, plant and equipment		
Depreciation of other assets owned	(3.971)	(2.862)
Depreciation - finance leases	(4.361)	(3.099)
Impairment losses	-	-
Reversals of impairment losses	-	-
	(8.471)	**(6.003)**

In more detail, this item is mainly composed of contributions from the Nursing Home sector (EUR 3,7 million, of which EUR 3,3 million for rights of use), the Automotive sector for EUR 2,8 million (of which EUR 0,6 million for rights of use), Ceramica Cielo S.p.A. (EUR 0,6 million, of which EUR 0,1 million for rights of use), Galassia S.r.l. for EUR 0,6 million (of which EUR 3 thousand for rights of use), Disegno Ceramica S.r.l. for EUR 0,3 million (of which EUR 17 thousand for rights of use), Mittel S.p.A. for EUR 0,2 million (of which EUR 170 thousand for rights of use) and Sport Fashion Service S.r.l. for EUR 0,2 million (of which EUR 143 thousand for rights of use).

38. Allocations to the provision for risks

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

	30.06.2020	30.06.2019
Provisions for ongoing disputes:		
for legal disputes	-	-
for personnel expenses	-	-
Other provisions	(14)	(55)
	(14)	**(55)**

The item “Other provisions” refers exclusively to the effect of the allocations made by IMC S.p.A..

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

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

The item is composed as follows:

	30.06.2020	30.06.2018
Pro-rata losses		
Mit.Fin S.p.A.	(126)	(42)
Superpartes S.p.A.	(31)	(18)
	(157)	**(60)**

40. Financial income

The item is composed as follows:

	30.06.2020	30.06.2019
Bank interest income	5	103
Interest income on financial receivables	451	652
Other interest income	350	383
Other financial income	653	1.169
Exchange rate gains	52	-
	1.512	**2.307**

Interest income on financial receivables relates mainly to the contribution of the Parent Company Mittel S.p.A. for loans outstanding (EUR 451 thousand; EUR 651 thousand as at 30 June 2019).
Other interest income mainly consists of the contribution of the Parent Company Mittel (EUR 340 thousand).

41. Financial expenses

The item is composed as follows:

	30.06.2020	30.06.2019
Interest expense on bonds	(2.429)	(3.883)
Interest expense on bank current accounts	(70)	(10)
Interest expense on bank loans	(611)	(463)
Interest expense on other loans	(355)	(371)
Other interest expenses	(3.635)	(195)
Other financial expenses	(172)	(2.364)
Exchange rate losses	(69)	(12)
	(7.341)	**(7.298)**

The “Interest expense on bonds” item is attributable exclusively to interest expense recorded on bonds issued by Mittel S.p.A. for the first half.
The main contribution to the item “Interest expense on bank loans” is from companies in the Nursing Home sector for EUR 327 thousand, companies in the Design sector for EUR 156 thousand, Mi.Va S.r.l. for EUR 28 thousand and Sport Fashion Service S.r.l. for EUR 100 thousand.
IMC S.p.A. was the main contributor to the item “Interest expense on other loans”, for EUR 0,3 million.
Other interest expense is related to the companies in the Nursing Home sector (EUR 3,2 million, interest on rights of use), IMC S.p.A. (EUR 0,3 million, of which EUR 0,2 million for rights of use), Ceramica Cielo S.p.A. (EUR 30 thousand, of which EUR 19 thousand for rights of use) and the Parent Company Mittel S.p.A. (EUR 88 thousand, of which EUR 84 thousand for rights of use).

Other financial expenses are related mainly to the companies in the Nursing Home sector (EUR 52 thousand), Mittel Design S.r.l. (EUR 27 thousand), Ceramica Cielo S.p.A. (EUR 14 thousand) and IMC S.p.A. (EUR 35 thousand).

42. Dividends

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

	30.06.2020	30.06.2019
Dividends from financial assets	-	183
Other	-	-
	-	**183**

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

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

	30.06.2020	30.06.2019
Financial assets		
Capital gains (losses) from transfer of investments	**-**	**83**
Reversals/impairment losses on equity	**-**	**-**
	-	**83**

44. Value adjustments to financial assets, loans and receivables

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

	30.06.2020	30.06.2019
Write-downs on financial receivables	(321)	-
Write-downs on other receivables	(279)	(28)
Write-downs on financial assets	(1.551)	(1.442)
Reversals of impairment losses on financial assets	209	151
	(1.942)	**(1.318)**

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 0,2 million.
Write-downs of financial assets are primarily attributable to value adjustments recognised by the Parent Company Mittel (EUR 1,35 million) for Augusto Fund (EUR 1,27 million), Equinox two (EUR 74 thousand) and Cosimo I Fund (EUR 3 thousand), as well as EUR 0,2 million for value adjustments recorded by Earchimede S.p.A. with reference to Investitori Associati II S.A. (EUR 137 thousand), and Alfieri associati (EUR 63 thousand).
The item “Reversals of impairment losses on financial assets” refers exclusively to the recovery recognised by Earchimede S.p.A., on Opera 2 Partecipations S.C.A.

45. Income taxes

The amount is composed as follows:

	30.06.2020	30.06.2019
IRES (corporate income tax)	16	(91)
IRAP (regional business tax)	(385)	(1.053)
Taxes of previous years	1.034	34
Total current taxes	**665**	**(1.111)**
Deferred tax liabilities	914	1.202
Deferred tax assets	1.939	3.368
Total deferred taxes	**2.853**	**4.570**
Other taxes	-	-
Total income taxes	**3.518**	**3.459**

46. Income (expense) pertaining to non-controlling interests

The item is composed as follows:

	30.06.2020	30.06.2019
Profit (loss) of non-controlling interests	(223)	458
	(223)	**458**

47. 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 or loss per share should take account of the effects of all potential ordinary shares with a dilutive effect.

Basic and diluted earnings or loss per share attributable to the Parent Company as at 30 June 2020, compared with the first half of the previous year, are as follows:

Earnings/(loss) per share attributable to the Parent Company (in Euro)	30.06.2020	30.06.2019
From income statement:		
- Basic	(0.068)	0.004
- Diluted	(0.068)	0.004
From comprehensive income:		
- Basic	(0.065)	0.000
- Diluted	(0.065)	0.000

Basic earnings or loss per share

During the half year, the number of shares outstanding changed as follows:

Number of shares	30.06.2020	30.06.2019
(No. of ordinary shares)		
No. of shares at start of the period	81.347.368	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)
Average weighted number of treasury shares acquired in the period		
Average weighted number of treasury shares sold in the period	-	-
Potential dilution of ordinary shares		
Average weighted number of shares outstanding at the end of the period	**81.347.368**	**81.347.368**

The consolidated basic earnings or loss per share attributable to the Parent Company as at 30 June 2020, compared with the half-year of the previous year, are as follows:

Thousands of Euro		
Net profit/(loss) attributable to the Parent Company	**(5.523)**	**349**

Euro		
Basic earnings/(loss) per share attributable to the Parent Company	**(0.068)**	**0.004**

The consolidated comprehensive basic earnings or loss per share attributable to the Parent Company as at 30 June 2020, compared with the half-year of the previous year, are as follows:

Thousands of Euro		
Total comprehensive net profit/(loss) attributable to the Parent Company	**(5.294)**	**28**

Euro		
Total comprehensive basic earnings/(loss) per share attributable to the Parent Company	**(0.065)**	**0.000**

Diluted earnings or loss per share

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

As at 30 June 2020 the shares for potential issue refer solely to shares assigned against the medium/long-term incentive plan based on the assignment of Stock Appreciation Rights (SARs) on treasury shares reserved for the management of Mittel S.p.A..
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 consolidated statement of comprehensive income as at 30 June 2020, compared with the previous year, is as follows.

Diluted earnings/(loss) per share	**30.06.2020**	**30.06.2019**
(no. ordinary shares)		
Average weighted number of shares outstanding at the end of the period	81.347.368	81.347.368
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	**81.530.976**	**81.663.295**

Thousands of Euro		
Net profit/(loss) attributable to the Parent Company	(5.523)	349
Effect of subscriptions of potential new shares	-	-
Net profit/(loss) available to ordinary shareholders plus expected subscriptions	**(5.523)**	**349**

Euro		
Diluted earnings/(loss) per share	**(0.068)**	**0.004**

Thousands of Euro		
Total comprehensive net profit/(loss) attributable to the Parent Company	(5.294)	28
Effect of subscriptions of potential new shares	-	-
Net overall profit/(loss) available to ordinary shareholders plus expected subscriptions	**(5.294)**	**28**

Euro		
Total comprehensive diluted earnings/(loss) per share attributable to the Parent Company	**(0.065)**	**0.000**

The overall diluted earnings per share values are equal to basic earnings per share. Specifically, for 30 June 2020, in light of the negative results, the effect of the SARs should not be considered as it is anti-dilutive.

As there are no profits or losses from non-current assets held for sale or discontinued operations, the related earnings or loss per share of assets held for sale or already disposed of is not indicated.
Furthermore, note that the earnings or loss per share values recognised do not require adjustment due to any transactions involving ordinary shares or potential ordinary shares after the end of the year as at 30 June 2020 which would have significantly changed the number of ordinary or potential ordinary shares outstanding at period end.

48. Consolidated net financial position

According to the provisions of Consob Communication of 28 July 2006 and in compliance with the Recommendation of CESR dated 10 February 2005 "Recommendations for the consistent implementation of the regulation of the European Commission on prospectuses", it should be noted that the net financial position of the Mittel Group as at 30 June 2020 was negative for EUR 243,7 million (negative for EUR 251,9 million as at 31 December 2019), as shown in the table below:

(Thousands of Euro)	30.06.2020	31.12.2019	Variation
Cash	122	103	19
Other cash and cash equivalents	184.558	173.062	11.496
Securities held for trading	-	-	-
Current liquidity	**184.680**	**173.165**	**11.515**
Current financial receivables	**3**	**25**	**(22)**
Current bank loans and borrowings	(6.318)	(6.391)	73
Current portion of medium/long-term bank loans	(8.824)	(7.108)	(1.715)
Bonds	(2.062)	(2.089)	27
Other financial payables	(11.052)	(12.290)	1.238
- of which IFRS 16 financial liabilities	*(4.587)*	*(5.273)*	
Current financial debt	**(28.256)**	**(27.878)**	**(378)**
Net current financial debt	**156.427**	**145.313**	**11.114**
Non-current bank loans and borrowings	(46.397)	(58.306)	11.909
- Bank loans and borrowings expiring in the medium term	(46.397)	(58.306)	11.909
- Bank loans and borrowings expiring in the long term			-
Bonds issued	(129.335)	(129.308)	(27)
Other financial payables	(224.392)	(209.629)	(14.764)
- of which IFRS 16 financial liabilities	*(215.738)*	*(200.909)*	
Non-current financial debt	**(400.124)**	**(397.242)**	**(2.881)**
Net financial position	**(243.697)**	**(251.930)**	**8.233**

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 50 of these consolidated financial statements.

49. Commitments and guarantees

As at 30 June 2020, the guarantees given can be summarised in the following table:

	30.06.2020	31.12.2019
Guarantees:		
financial	-	-
commercial	9.929	9.929
assets pledged as collateral	371	-
Commitments:		
disbursement of funds	4.285	4.347
other irrevocable commitments	-	-
	14.585	**14.277**

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) and 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.

50. Intercompany transactions and transactions with related parties

In terms of transactions with related counterparties identified on the basis of art. 2359 of the Italian Civil Code and IAS 24, it should be noted that, during the half-year ended 30 June 2020, transactions were entered into with said counterparties as part of ordinary Group activities and that no atypical and unusual transactions were carried out.

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

	Directors, Statutory auditors and internal committees	Associates	Other related parties	Total
Current liabilities				
Sundry payables and other liabilities	417			**417**
Income statement				
Revenue		25		**25**
Other income		25		**25**
Costs for services	(400)		(60)	**(460)**
Personnel costs	(330)	(11)		**(341)**
Financial income		34		**34**

- The “Sundry payables and other current liabilities” item refers to the amount due to directors (EUR 342 thousand) and statutory auditors (EUR 75 thousand) for fees accrued but still to be paid.

- The items “Revenue” and “Other income” refer to the chargeback of administrative services and direct debit services provided to third parties that are considered related parties (associates).

- The item “Costs for services due to directors, statutory auditors and internal committees” refers to EUR 0,3 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 the partnership with Gruppo Edile Milanese S.r.l.

- 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 34 thousand accrued by Mittel S.p.A. from Mittel Generale Investimenti S.r.l..

51. 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.

51.1 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 determines a value that reflects the amount that would be required currently to replace the service capacity of an asset.
IFRS 13 establishes a fair value hierarchy that classifies the input of the valuation techniques used to measure fair value into three levels.
The fair value hierarchy assigns the maximum priority to listed prices (not adjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the minimum priority to inputs that are not observable (Level 3 inputs).

The levels used in the hierarchy are as follows:

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

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

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

For the financial instruments outstanding as at 30 June 2020, and for comparative purposes as at 31 December 2019, the table below illustrates the fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis (level 3 includes the book values of unlisted financial assets recognised at cost in the absence of an available fair value):

	30 June 2020			31 December 2019		
(thousands of Euro)	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	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	-	11.913	2.543	-	13.604	2.757
Financial receivables at fair value:						
Financial receivables that did not pass the SPPI test	-	-	-	-	-	-
Total assets	**-**	**11.913**	**2.543**	**-**	**13.604**	**2.757**
Other financial liabilities:						
Hedging derivatives	-	-	207	-	-	253
Other financial liabilities	-	-	5.727	-	-	6.368
Total liabilities	**-**	**-**	**5.934**	**-**	**-**	**6.621**

Completing the analyses required by IFRS 13, the types of financial instruments contained in the financial statement items as at 30 June 2020 are shown and, for comparative purposes, as at 31 December 2019, 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 30 June 2020

(Amounts in thousands of Euro)

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 statement total as at 30 June 2020	Fair value as at 30 June 2020
	Income statement	*Equity in other comprehensive income*	**(A)**	Level 1	Level 2	Level 3	**(B)**	**(A+B)**	
ASSETS									
Other non-current financial assets (a)	14.456	-	**14.456**	-	11.913	2.543	**-**	**14.456**	14.456
Non-current financial receivables (b)	-	-	**-**	-	-	-	**30.191**	**30.191**	30.191
Other receivables and financial assets (*) (b)	-	-	**-**	-	-	-	**146**	**146**	146
Other assets (*)	-	-	**-**	-	-	-	**136**	**136**	136
Current financial receivables (b)	-	-	**-**	-	-	-	**3**	**3**	3
Trade receivables (*) (b)	-	-	**-**	-	-	-	**29.830**	**29.830**	29.830
Current sundry receivables (*) (b)	-	-	**-**	-	-	-	**5.277**	**5.277**	5.277
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**184.680**	**184.680**	184.680
	14.456	**-**	**14.456**	**-**	**11.913**	**2.543**	**250.262**	**264.719**	264.719
LIABILITIES									
Bonds (current and non-current) (b)	-	-	**-**	-	-	-	**131.397**	**131.397**	132.846
Financial payables (current and non-current) (*) (b)	-	-	**-**	-	-	-	**285.343**	**285.343**	285.343
Financial payables (b)	-	-	**-**	-	-	-	**-**	**-**	-
Other financial liabilities (c)	5.727	207	**-**	-	-	-	**5.705**	**11.639**	5.934
Trade payables (*) (b)	-	-	**-**	-	-	-	**652**	**652**	652
Sundry payables (*) (b)	-	-	**-**	-	-	-	**34.884**	**34.884**	34.884
	5.727	**207**	**-**	**-**	**-**	**-**	**457.981**	**463.916**	459.659

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 2019

(amounts in Euro)

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 income*	**(A)**	Level 1	Level 2	Level 3	**(B)**	**(A+B)**	
ASSETS									
Other non-current financial assets (a)	16.361	-	**16.361**	-	13.604	2.757	**-**	**16.361**	16.361
Non-current financial receivables (b)	-	-	**-**	-	-	-	**33.460**	**33.460**	33.460
Other receivables and financial assets (*) (b)	-	-	**-**	-	-	-	**604**	**604**	604
Other assets (*)	-	-	**-**	-	-	-	**94**	**94**	94
Current financial receivables (b)	-	-	**-**	-	-	-	**25**	**25**	25
Trade receivables (*) (b)	-	-	**-**	-	-	-	**41.213**	**41.213**	41.213
Current sundry receivables (*) (b)	-	-	**-**	-	-	-	**2.598**	**2.598**	2.598
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**173.165**	**173.165**	173.165
	16.361	**-**	**16.361**	**-**	**13.604**	**2.757**	**251.158**	**267.519**	267.519
LIABILITIES									
Bonds (current and non-current) (b)	-	-	**-**	-	-	-	**131.397**	**131.397**	133.413
Financial payables (current and non-current) (*) (b)	-	-	**-**	-	-	-	**281.397**	**281.397**	281.397
Financial payables (b)	-	-	**-**	-	-	-	**-**	**-**	-
Other financial liabilities (c)	6.368	253	**-**	-	-	-	**5.705**	**12.327**	6.622
Trade payables (*) (b)	-	-	**-**	-	-	-	**35.934**	**35.934**	35.934
Sundry payables (*) (b)	-	-	**-**	-	-	-	**7.469**	**7.469**	7.469
	6.368	**253**	**-**	**-**	**-**	**-**	**461.902**	**468.524**	464.835

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 portfolio of financial assets 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 instrument 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 in the year

As at 30 June 2020, 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 during the half year, 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 half year, including profits/(losses) booked to the income statement, are shown below:

(thousands of Euro)	Financial assets	Financial liabilities
As at 31 December 2019	**2.757**	**6.621**
(Profit)/losses recognised in the income statement	(211)	(641)
(Profit) losses recognised in other comprehensive income		(46)
Purchases/Issues/Disposals/Extinguishments	(3)	
As at 30 June 2020	**2.543**	**5.934**

Financial assets measured at fair value level 3 mainly include EUR 0,5 million for Equinox Two (EUR 0,7 million at 31 December 2019), EUR 1,4 million for SIA-SSB S.p.A. (EUR 1,4 million at 31 December 2019), and EUR 0,4 million for Medinvest International S.A. (EUR 0,4 million at 31 December 2019).

51.2 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:

Financial assets as at 30 June 2020	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	-	14.456	-	14.456
Bonds	-	-	-	-
Other financial assets	-	-	-	-
Non-current receivables:				
Financial receivables	30.191	-	-	30.191
Sundry receivables	482	-	-	482
Receivables due from related parties	-	-	-	-
Receivables due from customers and other current commercial assets:				
Sundry receivables and other assets	41.632	-	-	41.632
Current financial assets:				
Financial receivables	3	-	-	3
Sundry receivables	-	-	-	-
Hedging derivatives	-	-	-	-
Non-hedging derivatives	-	-	-	-
Cash and cash equivalents				
Bank and postal deposits	184.558	-	-	184.558
TOTAL FINANCIAL ASSETS	**256.866**	**14.456**	**-**	**271.322**

Financial assets as at 31 December 2019	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	-	16.361	-	16.361
Bonds	-	-	-	-
Other financial assets	-	-	-	-
Non-current receivables:				
Financial receivables	33.460	-	-	33.460
Sundry receivables	898	-	-	898
Receivables due from related parties	-	-	-	-
Receivables due from customers and other current commercial assets:				
Sundry receivables and other assets	50.200	-	-	50.200
Current financial assets:				
Financial receivables	-	-	-	-
Sundry receivables	25	-	-	25
Hedging derivatives	-	-	-	-
Non-hedging derivatives	-	-	-	-
Cash and cash equivalents				
Bank and postal deposits	173.062	-	-	173.062
TOTAL FINANCIAL ASSETS	**257.645**	**16.361**	**-**	**274.006**

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

Financial liabilities as at 30 June 2020	IFRS 9 CATEGORIES Financial instruments at fair value	 Liabilities at amortised cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	46.397	**46.397**
Other financial liabilities	-	217.689	**217.689**
Sundry payables and other liabilities	-	652	**652**
Bonds	-	129.335	**129.335**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	20.467	**20.467**
Other financial liabilities	5.727	-	**5.727**
Trade payables	-	27.823	**27.823**
Sundry payables	-	6.830	**6.830**
Bonds	-	2.062	**2.062**
Other financial liabilities:			
Hedging derivatives	207	-	**207**
Non-hedging derivatives	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**5.934**	**451.254**	**457.189**

Financial liabilities as at 31 December 2019	IFRS 9 CATEGORIES Financial instruments at fair value	 Liabilities at amortised cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	58.306	**58.306**
Other financial liabilities	-	202.838	**202.838**
Sundry payables and other liabilities	-	827	**827**
Bonds	-	129.308	**129.308**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	19.420	**19.420**
Other financial liabilities	6.368	-	**6.368**
Trade payables	-	35.934	**35.934**
Sundry payables	-	5.673	**5.673**
Bonds	-	2.089	**2.089**
Other financial liabilities:			
Hedging derivatives	253	-	**253**
Non-hedging derivatives	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**6.622**	**454.395**	**461.017**

51.3 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 real estate sectors, as well as operating sectors of the companies involved in business combinations during the previous year (Nursing Homes, Design, Automotive and Fashion). 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 financial receivables for the six months ended at 30 June 2020 and at 31 December 2019.

Type of exposures/amounts	Gross exposure	Specific value adjustments	Net exposure
Total as at 30 June 2020	**58.777**	**(28.587)**	**30.190**
Total as at 31 December 2019	**62.922**	**(29.463)**	**33.459**

The table below shows the details of trade receivables as at 30 June 2020, 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 thousands of Euro

	30.06.2020		
	Nominal value	Write-downs	Net value
Falling due	25.877	-	25.877
0-180 days	1.582	(2)	1.580
180-360 days	775	(775)	-
More than 360 days	4.607	(4.465)	142
	32.841	**(5.242)**	**27.599**

The figures relating to the financial statements closed as at 31 December 2019 are provided below:

Amounts in thousands of Euro

	31.12.2019		
	Nominal value	Write-downs	Net value
Falling due	35.073	-	35.073
0-180 days	2.907	(2)	2.905
180-360 days	1.830	(1.234)	596
More than 360 days	4.136	(3.463)	673
	43.946	**(4.699)**	**39.247**

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 184.680 thousand (EUR 173.165 thousand as at 31 December 2019) and are composed of bank deposits and cash.
As regards the choice of counterparties for the management of temporary surpluses of cash and the stipulation of financial hedging contracts (derivative instruments), the Group only uses contacts with a high credit standing.
In this regard, it should be noted that, as at 30 June 2020, no significant exposures to risks connected to a further deterioration in the overall financial context were highlighted.

Guarantees given

The carrying amounts as at 30 June 2020 relating to the financial and commercial guarantees issued, assets pledged as collateral in favour of third parties for financial liabilities and irrevocable commitments are shown below:

	30.06.2020	31.12.2019
Financial guarantees issued	-	-
Commercial guarantees issued	9.929	9.929
Assets pledged as collateral	371	-
Irrevocable commitments to disburse funds	4.285	4.347
Other irrevocable commitments	-	-
	14.585	**14.277**

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/repricing date	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	-	-	29	26.120	-	4.041	30.190
Current financial receivables	3	-	-	-	-	-	3
Available-for-sale financial assets	-	-	-	-	-	-	-
Financial assets at fair value	-	-	-	-	-	-	-
	3	**-**	**29**	**26.120**	**-**	**4.041**	**30.193**
Liabilities							
Non-current bank loans	-	-	36.904	9.493	-	-	46.397
Current bank loans	6.318	8.824	-	-	-	-	15.142
Other non-current financial payables	-	-	291	-	1.951	500	2.742
Other current financial payables	-	738	-	-	-	-	738
Bonds	2.062	-	-	129.335	-	-	131.397
	8.380	**9.562**	**37.195**	**138.828**	**1.951**	**500**	**196.416**
Financial derivatives							
Hedging derivatives	-	-	207	-	-	-	207
Trading derivatives	-	-	-	-	-	-	-
	-	**-**	**207**	**-**	**-**	**-**	**207**
	(8.377)	**(9.562)**	**(37.373)**	**(112.708)**	**(1.951)**	**3.541**	**(166.430)**

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/repricing date	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
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 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 cross 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 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 30 June 2020, assuming that said values are representative of the entire half-year;
- changes in the value of fixed rate financial instruments, other than derivative instruments, brought about by variations in reference interest rates, generate an impact on profit only when accounted for at their fair value. All fixed rate instruments which are accounted for at amortised cost are not subject to interest rate risk, as defined in IFRS 7;
- changes of value brought about by variations in interest rates, of variable rate financial instruments, other than derivative instruments, which are not part of a cash flow hedging relationship, generate an impact on financial income and expenses in the period; therefore, they are taken into consideration in this analysis.

Interest rate risk – Sensitivity analysis

The variation in interest rates on the variable component of payables and liquidity may involve higher or lower financial expenses/income. In particular, in relation to the variation in interest rates: if, as at 30 June 2020, the interest rates were 100 basis points higher/lower than the rates actually registered, at income statement level, higher/lower financial expenses would be recorded, before the associated taxes, amounting to approximately EUR 0,1 million.

Breakdown of the financial structure between fixed and variable rates

In relation to the breakdown of the financial structure between the fixed rate and variable rate components, both for financial assets and liabilities, the following tables are considered.
In the preparation of these tables, account was taken of the book value and, as regards financial assets, of the intrinsic nature (financial characteristics and duration) of the transactions considered, rather than solely the contractually defined conditions.

Amounts in thousands of Euro	**30 June 2020**		
	Fixed rate	Variable rate	Total
Bank loans		61.539	**61.539**

Bonds	131.397		**131.397**
Other financial liabilities	-	3.480	**3.480**
Total	**131.397**	**65.019**	**196.416**

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 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**

Amounts in thousands of Euro	**30 June 2020**		
	Fixed rate	Variable rate	Total
Financial receivables	3.841	26.352	**30.193**
Other financial assets	-	-	**-**
Total	**3.841**	**26.352**	**30.193**

The data relating to the previous year are shown below:

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 tables indicated above, relating to financial receivables and payables for the current year, include the value of non-interest bearing receivables and payables using a fixed rate.

Effective interest rate

The effective interest rate, for categories for which it can be determined, is the one relating to the original transaction net of the effect of any derivative hedging instruments.

The information, given provided by categories of financial assets and liabilities, has been prepared by using, as a weight for weighting purposes, the adjusted book value of accruals, deferrals and fair value adjustments; therefore, this refers to the amortised cost, net of any accruals and fair value adjustments due to hedge accounting.

Amounts in thousands of Euro	**30 June 2020**		**31 December 2019**	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Deposits and cash	184.680	0.00%	173.165	0.12%
Other financial receivables	30.193	2.29%	33.485	4.92%
Total	**214.873**	**0.35%**	**206.650**	**0.92%**

Amounts in thousands of Euro		
	30 June 2020	**31 December 2019**

	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Bank loans	61.539	1.02%	71.805	1.83%
Bonds	131.397	3.69%	131.397	3.69%
Other financial liabilities	3.480	0.00%	3.410	0.00%
Total	**196.416**	**2.74%**	**206.612**	**3.12%**

Currency risk – Sensitivity analysis

As at 30 June 2020 (and as at 31 December 2019), 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:**				
	2021	**2022**	**2023**	**After 2023**	**Total**
Bank loans	8.824	36.904	9.493	-	55.221
Other loans	738	291	-	1.951	2.980
Bonds	4.847	4.847	131.965	-	141.659
Total	**14.409**	**42.042**	**141.458**	**1.951**	**199.860**

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.

52. Ongoing disputes

A number of Group companies have disputes in progress. The main ongoing legal proceedings are described in the Report on Operations, under the paragraph "Main ongoing legal proceedings".

Milan, 25 September 2020

for the Board of Directors

The Chairman

(Michele Iori)

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 condensed half-yearly consolidated financial statements as at 30 June 2020.

It is also certified that the condensed half-yearly consolidated financial statements for the period ended as at 30 June 2020:

a) were drafted in compliance with the IFRS endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the accounting records and books;

c) provide a true and fair view of the financial position and performance of the issuer and of the group of consolidated companies.

The interim report on operations includes a reliable analysis of the references to significant events which occurred in the first six months of the year and to their incidence on the condensed half-yearly consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Milan, 25 September 2020

Director in charge of the risk management and internal control system	Manager in charge of financial reporting
Anna Francesca Cremascoli	Pietro Santicoli

Independent Auditors' Report

KPMG S.p.A.
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Relazione di revisione contabile limitata sul bilancio consolidato semestrale abbreviato

Agli Azionisti di
Mittel S.p.A.

Introduzione

Abbiamo svolto la revisione contabile limitata dell'allegato bilancio consolidato semestrale abbreviato, costituito dallo stato patrimoniale consolidato, dal conto economico consolidato, dal prospetto della redditività consolidata complessiva, dal prospetto delle variazioni del patrimonio netto consolidato, dal rendiconto finanziario consolidato e dalle relative note illustrative, del Gruppo Mittel al 30 giugno 2020. Gli amministratori di Mittel S.p.A. sono responsabili per la redazione del bilancio consolidato semestrale abbreviato in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea. E' nostra la responsabilità di esprimere una conclusione sul bilancio consolidato semestrale abbreviato sulla base della revisione contabile limitata svolta.

Portata della revisione contabile limitata

Il nostro lavoro è stato svolto secondo i criteri per la revisione contabile limitata raccomandati dalla Consob con Delibera n. 10867 del 31 luglio 1997. La revisione contabile limitata del bilancio consolidato semestrale abbreviato consiste nell'effettuare colloqui, prevalentemente con il personale della società responsabile degli aspetti finanziari e contabili, analisi di bilancio ed altre procedure di revisione contabile limitata. La portata di una revisione contabile limitata è sostanzialmente inferiore rispetto a quella di una revisione contabile completa svolta in conformità ai principi di revisione internazionali (ISA Italia) e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti significativi che potrebbero essere identificati con lo svolgimento di una revisione contabile completa. Pertanto, non esprimiamo un giudizio sul bilancio consolidato semestrale abbreviato.

Conclusioni

Sulla base della revisione contabile limitata svolta, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio consolidato semestrale abbreviato del Gruppo Mittel al 30 giugno 2020 non sia stato redatto, in tutti gli aspetti significativi, in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea.

Milano, 29 settembre 2020

KPMG S.p.A.

Bruno Verona
Socio