Registered office in Milan – Via Borromei no. 5
Share Capital EUR 87,907,017 fully paid-in
Listed in the Milan Register of Companies at no. 00742640154
www.mittel.it

Consolidated half-yearly financial report

(1 January 2023 – 30 June 2023)

138th company year

Contents

Board of Directors

Chairman – Chairman of the Executive Committee
Marco Giovanni Colacicco (b)
Deputy Chairman
Michele Iori (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
Mattia Bock - Chairman
Fabrizio Colombo
Federica Sangalli
Alternate auditors
Giulia Camillo
Lorenzo Bresciani

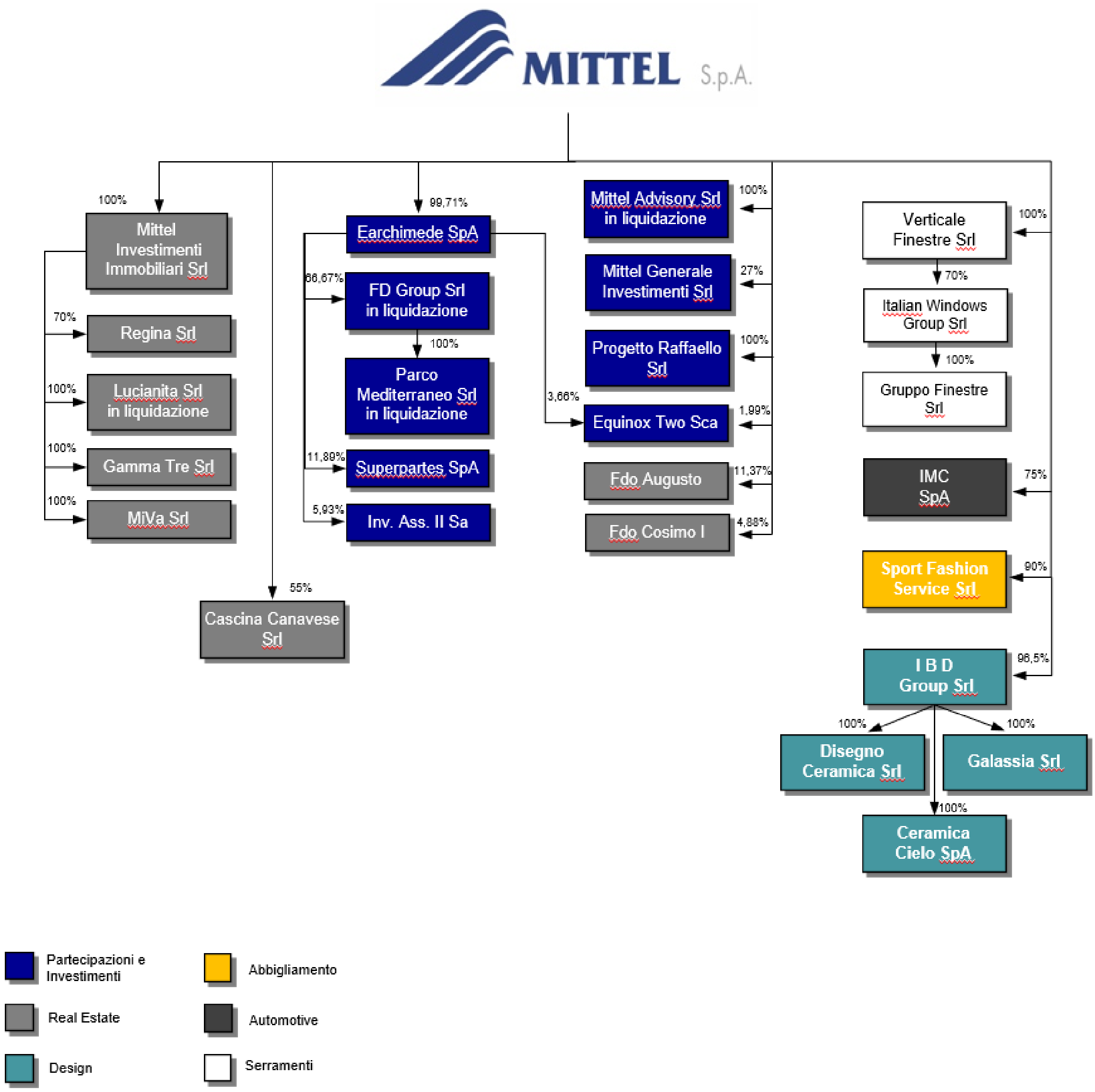
Independent Auditors

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 27 September 2023



Directors' Report on Operations

The first half of 2023 marked a further fundamental step in the Group's growth path, i.e. the completion of the sale of the Zaffiro Group, which took place on 28 June 2023. Exit from the Zaffiro Group took place upon completion of a successful build-up process, which was carried out within the nursing home sector during the timeframe in which Mittel held the investment. This process has led the investee to establish itself as one of the most important operators in the sector at national level, moving from the original 8 facilities managed (for about 900 beds) to the current 31 facilities (for about 2,600 beds).

The sale resulted in a gross capital gain (compared to the value of the original investment) of EUR 28.5 million (amount equal to the difference between the sale price of EUR 42 million and the purchase value of the equity interest equal to EUR 13.5 million) and the recognition in the consolidated financial statements of a positive impact on profit attributable to the Group of EUR 45.4 million. At the same time as the aforementioned sale, Mittel also collected from the Zaffiro Group an amount of EUR 26.6 million, by way of repayment of principal and interest on shareholder loans previously granted to it for a principal amount of EUR 25 million. Therefore, the overall transaction led to the collection of financial resources of EUR 68.6 million, in addition to the elimination, at the level of the consolidated financial statements, of the extremely significant negative contribution of the net financial position of the Zaffiro Group, equal to EUR 271.5 million as at 31 December 2022 (amount significantly affected by the application of IFRS 16, equal to EUR 243.6 million). The overall positive impact on the consolidated accounting net financial position was therefore EUR 340.1 million.

With regard to the general market context in which the Mittel Group operated, in the first half of the year the restrictive monetary policy measures implemented by the monetary authorities as early as 2022 continued, against a further intensification of inflationary dynamics recorded after the outbreak of the Russian-Ukrainian conflict. The significant increase in interest rates continued throughout the reporting period and also after the reporting date, with inevitable impacts on the trend in industrial production and consumption. However, the solidity consistently demonstrated in recent years in the industrial sectors in which the Group operates (Bathroom Furnishings, Automotive and Clothing) has allowed a solid financial and operational stability, limiting, on the whole, the negative impacts on the consolidated economic results achieved (net of significant positive contribution of the deconsolidation of the Zaffiro Group) in the half-year ended 30 June 2023.

In particular, the Bathroom Furnishings sector recorded a total turnover of EUR 38.0 million in the half of the year (EUR 40.5 million in the comparison period), maintaining high company margins (IFRS 16 net EBITDA of EUR 7.4 million, compared to EUR 8.8 million in the comparison period) and confirming the high cash generation capacity. After an extremely positive first quarter in terms of turnover, the companies recorded a slowdown in the second quarter. In the particular market context resulting from the inflationary dynamics of the last period and the consequent monetary policy decisions, in anticipation of the general economic slowdown predicted for the coming quarters, it is important to highlight the production and commercial synergies that the companies are continuing to achieve. Their impact will continue to grow in the near future and the process has now made it possible to configure the investees in the sector as an integrated Group able to offer diversified and complementary products on different customer segments and on different geographic markets. These aspects, together with the level of industrial, economic and financial solidity achieved with the continuous business growth recorded in recent years thanks to Mittel's investment strategy, should be suitable to limit the negative impacts of the current macroeconomic context in the coming quarters, confirming the important ability to create value in this vertical, demonstrated in recent years and attained through the active and direct management of the investment and the strong commitment of an industrial nature.

In the first half of 2023, the Automotive sector confirmed the operational recovery recorded in 2022 (after a very difficult year 2021 and despite the impacts of the outbreak of the Russian-Ukrainian conflict). The investee IMC achieved a turnover of EUR 22.5 million (compared to EUR 20.6 million in the comparison half-year and to EUR 38.6 million for the entire year 2022 and EUR 29.8 million for the entire year 2021), thanks to the constant business attention paid to the opportunities that arise in the current market context, also consequently to IMC's high reliability compared to its sector competitors, in terms of industrial capacity and economic and financial solidity (also made possible by its being part of the Mittel Group). EBITDA before IFRS 16 amounted to EUR 2.6 million, compared to EUR 2.4 million in the comparison half-year, EUR 3.6 million for the entire 2022 and EUR 1.4 million for the entire 2021.

Lastly, the Clothing sector recorded a turnover of EUR 5.8 million as at 30 June 2023 (in line with the comparison period) and a negative EBITDA before IFRS 16 of EUR 0.7 million (negative EUR 0.4 million in the comparison period). As is known, the sector investee will generate its profit margins in the second half of the year, given the seasonal nature of the Ciesse Piumini brand, and also thanks to the contribution to the margins of the first collection under the new management of the Jeckerson brand, which until now has only contributed through the royalties accrued to licensees and the sales made by the two outlets used for the valuation of the inventories acquired together with the brand.

With regard to the non-core assets in the portfolio, after the steady results already achieved in the process of realisation of these assets in previous years (including the last important collections in the real estate sector in 2022, including those relating to the Regina Teodolinda-Como and Metauro-Milano contracts), no particularly significant collections were recorded in the first half of the year, which could, on the other hand, occur in the second half of the year, depending on the possible developments in certain important credit and equity items held.

On the other hand, it should be noted that during the half year, Mittel management identified an interesting investment opportunity in the real estate sector, located in Milan, in Via Cavriana, which led to the purchase by Mittel of 55% of the special purpose vehicle to which the asset to be developed belongs, for an initial investment pertaining to Mittel of EUR 7.7 million. This is an ambitious project (5 buildings for 12,500 square meters of commercial area) in an area with high potential, for the construction of a new and well-structured residential complex surrounded by greenery, in an area subject to intense redevelopment and featuring extensive green areas and urban orchards. The project therefore fits perfectly into the Group's sustainable development plans.

Lastly, with regard to the holding system, after the completion in recent years of the process of reducing structural costs both of an operational nature (personnel, consultancy, etc.) and of a financial nature (with the last partial early repayment of the 2017-2023 bond made in July 2021, following which there was a residual debt of EUR 15 million, subject to final repayment in July 2023), the sale of the Zaffiro Group marked a further substantial step in the comprehensive Mittel Group's turnaround process. This will make it possible in the future to continue with determination in the process of creating value and increasing the size of the Group, both by supporting the growth of existing investment verticals and by launching targeted investments in new verticals in which management can express better skills.

The significant financial resources collected through the sale transaction, which were added to those already available at the holding company level, immediately made it possible to make a new investment, completed after the end of the half-year. In July 2023, in fact, Mittel acquired the company Gruppo Finestre, thus accessing the sector of production and distribution of windows and doors with high quality technical performance. With this transaction, Mittel has further expanded its portfolio of investments in diversified sectors, continuing along the path of investing in Italian SMEs of excellence operating in global markets, aimed at the creation of sustainable long-term value for all shareholders and other stakeholder categories.

Andamento del Gruppo

MITTEL

Group Performance

The Group net profit for the year was EUR 45.4 million, incorporating the effects of the completion of the sale of the Zaffiro Group, which had a total impact on profit of EUR 41.8 million, deriving from: (i) consolidation of the investee until the date of sale, with a loss pertaining to the Group of EUR 2.5 million; (ii) the profit from deconsolidation of EUR 47.9 million (the net effect of these two direct components is therefore EUR 45.4 million); (iii) the indirect effect due to the accrual of the variable remuneration payable to the management of Mittel, as envisaged by the remuneration policy in force, amounting to EUR 2.9 million; (iv) the additional indirect effect due to the accessory costs, of a tax and social security nature, related to the previous point, amounting to EUR 0.7 million.

Net of the important result achieved in the half-year with the completion of the sale of the Zaffiro Group, the Group's profit is EUR 3.6 million and confirms the robust performance, also in the first half of 2023, of the profit margins of core assets, attributable to the other investment verticals developed in recent years and present in the Group as at 30 June 2023 (Bathroom furnishings, Automotive and Clothing).

This result benefits above all from the important positive contribution of the Bathroom Furnishings sector, which has an EBITDA before IFRS 16 of EUR 7.4 million (EUR 8.8 million in the comparative half-year), in addition to the positive performance of the Automotive sector, which shows an EBITDA for the sector before IFRS 16 of EUR 2.6 million (EUR 2.4 million in the comparison period). On the other hand, the margin of the Clothing sector is not significant, which contributes with a negative EUR 0.7 million EBITDA before IFRS 16 (negative EUR 0.4 million in the comparison period) and which, as is known, will generate its profit margins in the second half of the year, given the seasonality of the investee Sport Fashion Service.

Consolidated revenues amounted to EUR 67.3 million (EUR 73.2 million in the comparison period, net of the contribution of the Zaffiro Group), thanks to the contribution of the industrial investees and in particular of the Bathroom Furnishings companies, which contribute to the consolidated data with a turnover of EUR 38.0 million (EUR 40.5 million in the comparison period), and the Automotive sector, which had a turnover of EUR 22.5 million (EUR 20.6 million in the comparison period).

Operating EBITDA for the period amounted to EUR 6.5 million (compared to EUR 8.0 million recorded in the comparison period net of the Zaffiro Group). The accounting EBITDA (which, however, does not incorporate the reversal of the lease payments reversed pursuant to IFRS 16, equal to EUR 1.7 million, and the correct allocation to the result from the disposal of the Zaffiro Group of the costs relating to the variable remuneration accrued by Mittel management as a result of the disposal, amounting to EUR 2.9 million, and the related tax and social security charges, amounting to EUR 0.7 million), amounting to EUR 4.6 million (EUR 9.6 million in the comparison period, net of the Zaffiro Group contribution).

The Group equity as at 30 June 2023 amounted to EUR 254.4 million, an increase of EUR 34.8 million compared to EUR 219.6 million as at 31 December 2022. The net increase is mainly explained by the result for the period (including the important contribution of the deconsolidation of the Zaffiro Group), equal to EUR 45.4 million, net of the dividend distributed by Mittel at the beginning of the half-year, equal to EUR 10 million.

The net operating financial position of Mittel and the holding system, excluding the contribution of industrial investees to IFRS 16 liabilities and including bridge loans to industrial investee companies, was a positive EUR 77,4 million (a positive EUR 53.3 million as at 31 December 2022). The further clear improvement is mainly due to the completion of the sale of the Zaffiro Group, with the consequent collection of the equity component (equal to EUR 42 million, to which the actual translation into cash of the bridge loan component previously granted by Mittel is to be added), already included in the operational NFP of the original holding system for EUR 26 million), only partially offset by the cash absorption mainly related to the dividend distributed at the beginning of the half-year by Mittel, equal to EUR 10 million, and the investment of EUR 7.7 million made in June in the real estate sector, with the purchase of a majority stake in an important real estate initiative in Milan, which will be developed starting in the next few months.

The consolidated net financial position, excluding financial payables recognised pursuant to IFRS 16 in relation to rights of use on lease contracts, became significantly positive in the half-year, standing at EUR 79.9 million (negative for EUR 6.4 million as at 31 December 2022). During the period, the significant financial exposure of the Nursing Home sector was eliminated, subject to deconsolidation at the end of the half-year, which frees the Group from a significant financial exposure and which allows the Group to have, in the current market context characterised by strong criticalities in terms of interest rates and availability of funding sources, significant financial resources to be allocated to new strategic investments.

Lastly, the consolidated accounting net financial position was positive for EUR 60.7 million, compared to the negative EUR 271.0 million recorded as at 31 December 2022, incorporating, in addition to the factors described above, the deconsolidation of the IFRS 16 liabilities of the Nursing Home sector that, as is known, were related to the long-term lease agreements that characterise the sector in question.

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.

In relation to the sale of the Zaffiro Group, which took place at the end of the half-year, the income statement shows in a single item, relating to the result of discontinued operations, the contribution of these activities to the consolidated net result. The item includes both the result for the period up to the date of sale, and the result deriving from the deconsolidation. As required by IFRS 5, the contribution to the consolidated result of discontinued operations in the comparison period was also shown in the same item. Therefore, the income statement for the period of comparison differs, due to this reclassification, from the original one published.

Main economic figures of the Group

(Thousands of Euro)	**30.06.2023**	**30.06.2022 (*)**
Revenue and other income	71,147	76,652
Increases (decreases) in inventories	1,949	405
Net revenue	**73,096**	**77,057**
Purchases, provision of services, sundry costs	(51,580)	(52,048)
Personnel costs	(16,938)	(15,438)
Operating costs	**(68,519)**	**(67,486)**
Operating margin (EBITDA)	**4,578**	**9,571**
Amortisation/depreciation, allocations and adjustments to non-current assets	(4,658)	(4,250)
Share of income (loss) of investments	(474)	-
Operating result (EBIT)	**(554)**	**5,321**
Profit (loss) from financial management	633	(588)
Result of management and valuation of financial assets and receivables	(105)	(1,611)
Profit (loss) from trading of financial assets	-	(72)
Profit (loss) before taxes	**(25)**	**3,050**
Taxes	(424)	(405)
Profit (loss) from continuing operations	**(449)**	**2,645**
Profit (loss) from discontinued operations	44,409	(3,630)
Net profit (loss) for the year	**43,959**	**(985)**
Profit (loss) pertaining to non-controlling interests	(1,397)	(1,393)
Profit (loss) pertaining to the Group	**45,356**	**409**

(*) values restated for application of IFRS 5

For greater clarity, the following table restates EBITDA to show the effective margin for the half-year, determined by eliminating: (i) the reversal of lease payments incorporated in the accounting amounts in application of IFRS 16; (ii) the impact of the cost relating to the variable remuneration accrued for the sale of the Zaffiro Group by the Mittel management, as envisaged by the company's remuneration policy; (iii) ancillary charges of a tax and social security nature accrued on the items referred to in the previous point.

(Thousands of Euro)	**30.06.2023**	**30.06.2022 (*)**

Accounting operating margin (EBITDA)	**4,578**	**9,571**
IFRS 16 effect (lease payments)	(1,660)	(1,523)
Costs related to the sale of the Zaffiro Group (remuneration policy)	2,850	-
Costs related to the sale of the Zaffiro Group (additional expenses)	732	-
Operating margin (EBITDA) before IFRS 16 and Zaffiro Group items	**6,500**	**8,048**

(*) values restated for application of IFRS 5

On the other hand, with regard to the impacts on the Group's result, it should be noted that, with the sale of the Zaffiro Group, the overall effect of IFRS 16 on this figure is not significant and therefore does not require a similar reconciliation. Moreover, as required by IFRS 5, the economic contribution (gross of third parties) of the assets attributable to the Zaffiro Group (including the result from deconsolidation) is already separately shown in a specific financial statement item (with the exception of the indirect impacts highlighted in the previous table).

Before moving on to analyse the most significant individual items of the consolidated income statement, it should be noted that in the half-year, despite the negative impacts deriving from the current market context, the industrial sectors contributed to generating a significant level of consolidated revenues, equal to EUR 67.3 million (EUR 73.2 million in the comparison period, net of the contribution of the Zaffiro Group), and a significant consolidated operating margin of EUR 6.5 million (EUR 8.0 million in the comparison period, net of the Zaffiro Group contribution), deriving from the following net sector contributions:

- *Design*: EBITDA before IFRS 16 equal to EUR 7.4 million (EUR 8.8 million in the comparison half-year), with margins maintained high by the sector investees (Ceramica Cielo, Galassia and Disegno Ceramica), despite a slowdown in turnover recorded, in the current macroeconomic context, in the second quarter, after an extremely positive first quarter;

- *Automotive*: EBITDA before IFRS 16 of EUR 2.6 million (EUR 2.4 million as at 30 June 2022), confirming the operational recovery recorded in 2022, after a very difficult 2021 and despite the impacts of the difficult geopolitical and market situation.

- *Clothing*: EBITDA before IFRS 16 negative for EUR 0.7 million (negative for EUR 0.4 million in the comparison period), with the sector that will produce its profit margins in the second half of the year, given the seasonality of the investee Sport Fashion Service;

- *Real Estate*: negative EBITDA of EUR 0.4 million (negative for EUR 0.3 million as at 30 June 2022), with an unremarkable half-year in terms of sales, after an important development in recent years;

- *Equity and investments*: negative EBITDA before IFRS 16 of EUR 2.3 million (negative for EUR 2.5 million in the comparison period), which, starting from the last few financial years, benefits from the strong reduction in holding costs realised in recent years.

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 2023 had a balance of EUR 71.1 million (EUR 76.7 million in the comparison period). This balance was the combined result of the following factors:
  (i) revenue recognition of EUR 67,3 million (EUR 73,2 million as at 30 June 2022); the following sectors primarily contributed to this total:
    - the Design sector (Ceramica Cielo, Galassia and Disegno Ceramica) for EUR 38.0 million (EUR 40.5 million in the comparison period);
    - the Automotive sector (IMC) for EUR 22,5 million (EUR 20.6 million in the comparison period)
    - the Clothing sector for EUR 5.8 million (value in line with the comparison period);
    - the Real Estate sector for EUR 1.0 million (EUR 6.3 million in the comparison period);

  (ii) the recognition of other income for EUR 3.8 million (EUR 3.4 million in the comparison period), mainly attributable to the Design sector for EUR 2.7 million.

- **Increases (decreases) in inventories:** the positive contribution recorded during the period, amounting to EUR 1.9 million (EUR 0.4 million in the comparison period), is due to the net effect of:

(i) the net increase in inventories of the Clothing sector for EUR 2.3 million (EUR 3.3 million in the comparison period)
(ii) increase of the Design sector for EUR 0.5 million (EUR 0.7 million in the comparison period);
(iii) the net decrease of the Automotive sector for EUR 0.1 million (net increase of EUR 0.5 million in the comparison period):
(iv) the reduction for offloading of selling costs of property inventories for EUR 0.9 million (EUR 6.0 million as at 30 June 2022);
(v) the increase in property inventories for costs capitalised and other changes for EUR 0.1 million (EUR 1.9 million as at 30 June 2022).

- **Costs for purchases, provision of services, sundry costs**: this item, totalling EUR 51.6 million (EUR 52.0 million as at 30 June 2022), includes costs for purchases of EUR 31.4 million (EUR 34.5 million in the comparison period), costs for services of EUR 18.3 million (EUR 16.3 million as at 30 June 2022) and sundry costs of EUR 1.8 million (EUR 1.1 million in the comparison period). The main contributors to this item were the following sectors:
(i) the Design sector for EUR 23.3 million (EUR 24.4 million in the comparison period);
(ii) the Automotive sector for EUR 15.9 million (EUR 15.3 million in the comparison period);
(iii) the Clothing sector for EUR 7.3 million (EUR 8.5 million in the comparison period);
(iv) the Real Estate sector for EUR 0.7 million (EUR 2.5 million in the comparison period), of which EUR 0.1 million to be read together with the increase in property inventories for capitalised costs (EUR 1.9 million in the comparison period);
(v) the Parent Company Mittel for EUR 4.5 million (EUR 1.3 million in the comparison period), of which EUR 2.9 million relating to the portion of the variable remuneration (accrued, as required by the remuneration policy, for the sale of the Zaffiro Group) referring to directors (EUR 2.3 million in gross remuneration and EUR 0.6 million in ancillary charges of a tax and contribution nature).

- **Personnel costs**: the item shows a balance of EUR 16.9 million (EUR 15.4 million as at 30 June 2022), of which EUR 10.2 million regarding the Design sector (EUR 10.1 million in the comparison period), EUR 3.4 million attributable to the Automotive sector (EUR 3.0 million in the comparison period), EUR 1.8 million relating to the Parent Company Mittel (EUR 1.0 million in the comparison period), of which EUR 0.7 million relating to the portion of the variable remuneration (accrued, as required by the remuneration policy, for the sale of the Zaffiro Group) referring to employees (EUR 0.6 million in gross remuneration and EUR 0.1 million in ancillary charges of a contribution nature) and EUR 1.6 million relating to the Clothing sector (EUR 1.3 million in the comparison period).

- **Amortisation/depreciation, allocations and adjustments to non-current assets**: the item showed a total balance as at 30 June 2023 of EUR 4.7 million (EUR 4.3 million as at 30 June 2022), due for EUR 1.5 million (EUR 1.4 million in the comparison period) to the amortisation/depreciation for rights of use recognised as a result of the application of IFRS 16; for the remaining portion the amortisation/depreciation refers to the tangible assets held by the operating companies (EUR 1.6 million for Automotive sector, EUR 1.3 million for Design sector and EUR 0.2 million for Clothing sector).

- **Share of profit (loss) from investments**: this item shows a negative balance of EUR 0.5 million, entirely attributable to the pro-rata consolidation of the negative result accrued in the half-year by the equity-consolidated subsidiary Mittel Generale Investimenti.

- **Profit (loss) from financial management**: this item shows an overall positive balance of EUR 0.6 million (negative EUR 0.6 million in the comparison period), explained by the net effect: (i) of financial income of EUR 1.8 million, of which EUR 1.3 million relating to the holding company (written down, however, for EUR 0.8 million in the item "Profit (loss) from management and valuation of financial assets"), accrued during the half-year on receivables and time deposits held, and EUR 0.4 million to the Design sector (attributable to the remuneration of the liquidity held by Ceramica Cielo and to a price adjustment item accrued on the purchase of Disegno Ceramica); (ii) financial expenses of EUR 1.2 million, of which EUR 0.3 million relating to financial expenses recognised in accordance with IFRS 16, EUR 0.3 million relating to the bank debt of the Automotive sector and EUR 0.3 million to the cost for the half-year of the residual portion of the Mittel bond (repaid in July 2023).

- **Result of management and valuation of financial assets and receivables**: this item contributed a negative EUR 0.1 million to the consolidated income statement (negative contribution of EUR 1.6 million in the comparison period) and is explained by the net effect of net value adjustments on loans for EUR 0.2 million (in turn explained by the net effect of write-downs for EUR 0.8 million and a write-back of about EUR 0.6 million deriving from a collection made in the half-year on a previously written down item) and reversals of impairment losses on financial assets for EUR 0.1 million (to align with the fair value on the reporting date).

- **Taxes**: the item shows a negative balance of EUR 0.4 million (in line with the comparison period) essentially attributable to IRAP for the half-year.

- **Profit (loss) from discontinued operations**: this item shows a balance of EUR 44.4 million (EUR 3.6 million in the comparison period), relating to the Nursing Home operating segment, subject to disposal in the half-year. The item is attributable to the net effect: (i) of the loss (until the date of sale) of EUR 4.1 million (EUR 2.5 million net of minority interests, equal to EUR 1.6 million, shown in the specific financial statement item); (ii) of the result from deconsolidation, equal to EUR 48.5 million. Therefore, the overall contribution to the Group result for the half-year from the Zaffiro Group is equal to EUR 46.0 million (EUR 45.4 million net of the effect of the intercompany items accrued by Mittel in the half-year on existing loans to the investee, fully repaid with the sale).

- **Profit (loss) pertaining to non-controlling interests:** shows a negative balance of EUR 1.4 million (value in line with the comparison period). The result is explained for negative EUR 1.6 million by the portion pertaining to minority interests of the loss of the Zaffiro Group and for the residual positive EUR 0.2 million to the portion pertaining to minority interests of the profit of the other investees not entirely held by Mittel.

Main financial and equity figures of the Group

(Thousands of Euro)	**30.06.2023**	**31.12.2022**
Intangible assets	61,571	109,734
Property, plant and equipment	54,143	302,091
- of which IFRS 16 rights of use	*18,389*	*233,457*
Investments	3,009	3,483
Non-current financial assets	27,313	27,576
Provisions for risks, employee severance indemnity and employee benefits	(5,708)	(9,071)
Other non-current assets (liabilities)	929	1,122
Tax assets (liabilities)	10,506	19,396
Net working capital (*)	61,012	46,682
Net invested capital	**212,776**	**501,013**
Equity pertaining to the Group	(254,384)	(219,620)
Non-controlling interests	(19,118)	(10,355)
Total equity	**(273,502)**	**(229,975)**
Net financial position	**60,726**	**(271,038)**
- of which IFRS 16 financial liabilities	*(19,164)*	*(264,622)*
Net financial position before IFRS 16	**79,890**	**(6,416)**

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

As better 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, net of significant reductions at the end of the half-year due to the deconsolidation of the Zaffiro Group. 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 61.6 million (EUR 109.7 million as at 31 December 2022). The item, almost entirely attributable to goodwill and trademarks, decreased by approximately EUR 48 million due to the deconsolidation of the Nursing Home sector, which in the comparison period contributed to the item with total goodwill of EUR 46.8 million and with the trademark registration value (equal to EUR 1.1 million).

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 company's trademark. Furthermore, as regards the Design sector, goodwill is recognised relating to the acquisitions of: (i) Galassia S.r.l. for an amount of EUR 4.4 million, in addition to EUR 2.0 million relating to the company's trademark; (ii) Disegno Ceramica S.r.l., for an amount of EUR 2.1 million.
In addition, goodwill of EUR 19.3 million was booked for the acquisition of IMC S.p.A. at the end of 2017.
The acquisition of Sport Fashion Service S.r.l. in November 2019 resulted in the recognition, with continuity of values, of goodwill (EUR 18.4 million) and trademarks (EUR 1.8 million) recognised in the package for the initial IFRS consolidation of the company at the acquisition date.
Finally, the purchase value of the Jeckerson brand was recorded during 2021, equal to approximately EUR 3.4 million.

Property, plant and equipment amounted to EUR 54.1 million (EUR 302.1 million as at 31 December 2022), of which EUR 18.4 million for IFRS 16 rights of use (EUR 233.5 million in the comparison period, of which EUR 213.2 ceased consequently to the deconsolidation of the Nursing Home sector that was characterised, as known, by long-term lease contracts on properties used as residences). The residual portion of this item's balance, equal to EUR 35.7 million (EUR 68.6 million in the comparison period, of which EUR 30.5 million ceased consequently to the deconsolidation of the Zaffiro Group), was heavily influenced by the contribution from the Automotive sector, amounting to EUR 12.6 million (total amount, net of accumulated amortisation, the partial allocation of goodwill recognised at the time of the acquisition to IMC S.p.A.'s presses) and from the Design sector, which contributed EUR 21.9 million.

Investments measured using the equity method totalled EUR 3.0 million (EUR 3.5 million as at 31 December 2022) and refer to the investment held by the Parent Company Mittel S.p.A. in Mittel Generale Investimenti S.r.l., which decreased as a result of the pro-rata loss accrued in the year on investee consolidated at equity.

Non-current financial assets amounted to EUR 27.3 million (EUR 27.6 million as at 31 December 2022) and refer: i) for EUR 15.8 million (value in line with that of the previous year) to non-current financial receivables, relating to credit positions held by the Parent Company; and ii) for EUR 11.5 million (EUR 11.7 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 5.7 million (EUR 9.1 million as at 31 December 2022). In particular, as at 30 June 2023, this item consisted of EUR 4.7 million for *Provisions for personnel* (EUR 8.1 million in the comparison period, an amount that included the contribution of the Zaffiro Group of EUR 2.9 million) and EUR 1.0 million for *Provisions for risks and charges* (EUR 1.6 million in the comparison period, which incorporated the contribution of the Zaffiro Group for EUR 0.4 million). The contributors to the item *Provisions for personnel* were from the Design sector (EUR 2.8 million), the Parent Company Mittel S.p.A. (EUR 1.1 million), the Automotive sector (EUR 0.4 million) and the Clothing sector (EUR 0.3 million). *Provisions for risks and charges* instead refer primarily to the Design sector (EUR 0.5 million), and the Clothing sector (EUR 0.3 million).

The item **net tax** assets **(liabilities)** was positive for EUR 10.5 million (EUR 19.4 million as at 31 December 2022), decreasing mainly due to the elimination of the contribution of the Nursing Home sector, amounting to EUR 8.9 million in the comparison period (amount mainly attributable to deferred tax assets recognised on this sector, mainly linked to IFRS 16 items and to a lesser extent to tax losses accrued in recent years). The item is composed of the sum of current tax assets of EUR 0.8 million (EUR 1.0 million as at 31 December 2022) and deferred tax assets of EUR 11.1 million (EUR 20.7 million in the comparison period), offset by deferred tax liabilities for EUR 1.2 million (EUR 1.8 million in the comparison period) and current tax liabilities for EUR 0.2 million (EUR 0.5 million in the comparison period).

Net working capital amounted to EUR 61.0 million (EUR 46.7 million as at 31 December 2022). The item is composed of: (i) the value of Inventories for EUR 67.9 million (EUR 55.7 million in the comparison period), attributable for EUR 35.6 million to property inventories (EUR 26.0 million in the comparison period), incorporating for EUR 10.4 million (amount including minority interests of 45%) the effects of the described purchase of the area under development located in Milan/Via Cavriana, for EUR 16.1 million to the Design sector (EUR 15.6 million in the comparison period), for EUR 7.3 million to the Automotive sector (EUR 7.4 million in the comparison period) and for EUR 8.8 million to the Clothing sector (EUR 6.5 million in the comparison period); (ii) sundry receivables and other current assets amounting to EUR 39.1 million (EUR 53.5

million in the comparison period. This amount also incorporated the contribution from the Nursing Home sectors for EUR 10.2 million), contributed mainly by the Design sector for EUR 22.4 (EUR 21.7 million as at 31 December 2022), the Automotive sector for EUR 9.6 million (EUR 8.4 million as at 31 December 2022) and the Clothing sector for EUR 3.6 million (EUR 11.8 million in the comparison period); and (iii) Sundry payables and other current liabilities for EUR 45.9 million (EUR 62.5 million in the comparison period). This amount also incorporated the contribution from the Nursing Home sector for EUR 22.5 million, contributed mainly by the Design sector for EUR 23.1 million (EUR 24.6 million as at 31 December 2022), the Automotive sector for EUR 10.8 million (EUR 11.5 million as at 31 December 2022) and the Clothing sector for EUR 4.7 million (EUR 5.3 million in the previous year).

As a result, **net invested capital** amounted to EUR 212.8 million (EUR 501.0 million as at 31 December 2022), a figure that includes, as previously explained, the rights of use recognised pursuant to IFRS 16 for a total of EUR 18.2 million (down sharply from the comparison period, when they amounted to EUR 233.5 million, mainly due to the deconsolidation of the Zaffiro Group. The invested capital is lower than the consolidated equity, equal to EUR 273.5 million from equity (EUR 230.0 million in the comparison period), in the presence of a positive net financial position of EUR 60.7 million (negative for EUR 271.0 million as at 31 December 2022), which in the comparison period was heavily influenced by the application of IFRS 16 (with financial lease payables totalling EUR 264.6 million, which decreased to EUR 19.2 million in the half-year due to the described deconsolidation of the Zaffiro Group).

Equity pertaining to the Group amounted to EUR 54.4 million (EUR 219.6 million as at 31 December 2022), while that pertaining to non-controlling interests amounted to EUR 19.1 million (EUR 19.4 million as at 31 December 2022).

Given the performance of consolidated equity and profit figures described above, the accounting **net financial position** is positive for EUR 60.7 million (negative for EUR 271.0 million as at 31 December 2022). Net of the impact of IFRS 16, the net financial position was positive for EUR 79.9 million, also a clear improvement compared to the negative EUR 6.4 million of the comparison period. The detailed breakdown of the item is provided below.

Statement relating to the net financial position

(Thousands of Euro)	**30.06.2023**	**31.12.2022**
Cash	39	178
Other cash and cash equivalents	108,886	61,538
Securities held for trading	-	-
Current liquidity	**108,925**	**61,716**
Current financial receivables	**-**	**-**
Bank loans and borrowings	(13,601)	(43,036)
Bonds	(15,434)	(15,435)
Other financial payables	(19,164)	(274,283)
Financial debt	**(48,199)**	**(332,754)**
Net financial position	**60,726**	**(271,038)**
- of which IFRS 16 financial liabilities	*(19,164)*	*(264,622)*
Net financial position before IFRS 16	**79,890**	**(6,416)**

Informativa per settore di attività

MITTEL

Information by business segment

As at 30 June 2023, the Mittel Group's activities break down into the following operating sectors:

- **Design**: the Design sector, of which the parent company Italian Bathroom Design Group S.r.l. is 96.5% owned through the subsidiaries Ceramica Cielo S.p.A., Galassia S.r.l. and Disegno Ceramica S.r.l., 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;
- **Clothing**: through Sport Fashion Service S.r.l. (90%), the Group is active in the urban/lifestyle and outdoor clothing sector; with the iconic Ciesse Piumini brand; moreover, in September 2021 Mittel has acquired at auction, through the subsidiary vehicle Fashion Time S.r.l. (90%), the ownership of the iconic brand Jeckerson, with the aim of creating within Mittel an Italian hub of reference in urban/lifestyle and outdoor clothing*;* as at 31 December 2022 the company Fashion Time S.r.l. was merged into Sport Fashion Service S.r.l.;
- **Automotive:** through its majority shareholding in I.M.C. - Industria Metallurgica Carmagnolese S.p.A. (75%), the Group is active in the automotive sector and, specifically, in the construction of moulds and cold sheet metal stamping;
- **Nursing homes:** the companies in the sector, previously held through a majority stake in Gruppo Zaffiro S.r.l. (60%), operate in the Italian healthcare industry, offering long-term care services, and included real estate activities relating to Nursing Home structures; at the end of the half-year, as extensively highlighted in other sections of this report, the exit process on the operating segment was completed, with the consequent deconsolidation and application of the provisions of IFRS 5, applicable to discontinued operations;
- **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; this sector is also being progressively enhanced in order to recover liquid resources to be allocated to core investment activities.

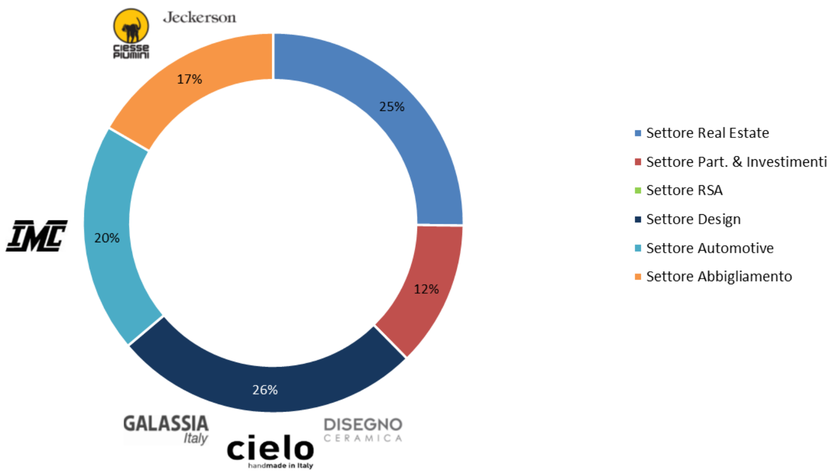
The level of aggregation of the business segments described above is consistent with the Group's current strategic configuration, as well as with the structuring of management control activities by senior management. Therefore, the related information on segment performance is the primary reporting used 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):

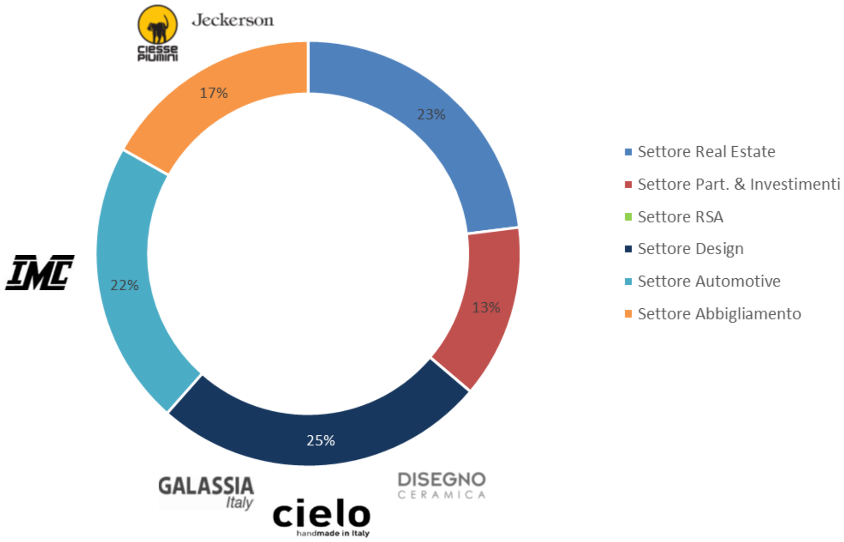
- Design: Ceramica Cielo S.p.A., Galassia S.r.l., Disegno Ceramica S.r.l. and Italian Bathroom Design Group S.r.l. (holding parent company for the sector);
- Clothing**:** Sport Fashion Service S.r.l.;
- Automotive**:** IMC - Industria Metallurgica Carmagnolese S.p.A.;
- Nursing homes: Gruppo Zaffiro S.r.l. and subsidiaries (sector disposed of in the half-year);
- Real Estate: Mittel Investimenti Immobiliari S.r.l. and subsidiaries; Augusto and Cosimo I real estate funds;
- Equity and Investments: Mittel S.p.A. and Earchimede S.p.A.

INVESTED CAPITAL BY BUSINESS SEGMENT

Before IFRS 16
EUR 194.2 million



Post IFRS 16
EUR 212.8 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 2023

Amounts in million EUR	30/06/2023										
AGGREGATE \ CONSOLIDATED	**Net revenue**	**Operating costs**	**EBITDA**	**Amortization & depreciation**	**Share of income (loss) from investments**	**Profit (loss) from financial management**	**Result from financial assets & receivables**	**Taxes**	**Profit (loss) from non-recurring transactions**	**Profit (loss) pertaining non-controlling interests**	**Profit (loss) pertaining to the Group**
Equity Investments	0,7	-6,4	-5,7	-0,2	-0,5	1,7	-0,2	0,3	-	0,0	-4,5
Nursing Home (RSA) sector	-	-	-	-	-	-	-	-	43,7	-1,6	45,4
Design sector	41,3	-33,4	7,8	-1,7	-	0,1	-0,0	-1,1	-	0,2	5,0
Automotive sector	22,7	-19,3	3,4	-2,2	-	-0,5	-	-0,2	-	0,1	0,4
Clothing sector	8,5	-8,9	-0,4	-0,5	-	-0,1	-0,0	0,2	-	-0,1	-0,7
Real Estate sector	0,3	-0,7	-0,4	-0,1	-	-0,0	0,1	0,3	-	0,0	-0,1
IC ELIMINATION	-0,3	0,2	-0,1	-	-	-0,6	-	-	0,7	-	-
CONSOLIDATED TOTAL	**73,1**	**-68,5**	**4,6**	**-4,7**	**-0,5**	**0,6**	**-0,1**	**-0,4**	**44,4**	**-1,4**	**45,4**

30 June 2022

Amounts in million EUR	30/06/2022										
AGGREGATE \ CONSOLIDATED	**Net revenue**	**Operating costs**	**EBITDA**	**Amortization & depreciation**	**Share of income (loss) from investments**	**Profit (loss) from financial management**	**Result from financial assets & receivables**	**Taxes**	**Profit (loss) from non-recurring transactions**	**Profit (loss) pertaining non-controlling interests**	**Profit (loss) pertaining to the Group**
Equity Investments	0,5	-2,7	-2,3	-0,2	-	0,8	-1,6	0,9	-	-0,0	-2,3
Nursing Home (RSA) sector					-				-4,2	-1,7	-2,5
Design sector	43,6	-34,5	9,2	-1,5	-	-0,2	-0,1	-1,6	-	0,3	5,5
Automotive sector	21,4	-18,3	3,1	-2,1	-	-0,5	-	-0,1	-	0,1	0,3
Clothing sector	9,7	-9,7	-0,0	-0,4	-	-0,3	-0,1	0,2	-	-0,1	-0,6
Real Estate sector	2,2	-2,5	-0,3	-0,0	-	-0,0	0,1	0,3	-	-0,0	0,1
IC ELIMINATION	-0,3	0,2	-0,1	-	-	-0,6	-		0,6	-	
CONSOLIDATED TOTAL	**77,1**	**-67,5**	**9,6**	**-4,3**	**-**	**-0,7**	**-1,6**	**-0,4**	**-3,6**	**-1,4**	**0,4**

Structure of the consolidated statement of financial position by business segment

30 June 2023

Amounts in million EUR	30/06/2023										
AGGREGATE \ CONSOLIDATED	**Net Working capital**	**Property, plant & equipment and intangible assets**	**Other Assets (liabilities)**		**Invested capital**	*Financed by*	**Net financial position**	**Equity**	*of which*	**Equity pertaining to non-controlling interest**	**Equity pertaining to the Group**
Equity Investments	-2,3	28,7	6,2	-	32,5		78,3	110,8		0,1	110,7
Nursing Home (RSA) sector	-	-	-	-	-		-	-		-	-
Design sector	13,0	43,6	-2,7	-	53,9		15,1	69,0		2,4	66,6
Automotive sector	5,7	40,0	0,3	-	46,0		-18,3	27,7		6,9	20,7
Clothing sector	7,9	28,0	-0,1	-	35,8		-9,2	26,6		2,7	23,9
Real Estate sector	36,7	10,3	2,0	-	49,0		-9,6	39,4		7,0	32,4
CONSOLIDATED TOTAL	**61,0**	**146,0**	**5,7**	**-**	**212,8**		**60,7**	**273,5**		**19,1**	**254,4**

31 December 2022

Amounts in million EUR	31/12/2022										
AGGREGATE \ CONSOLIDATED	**Net Working capital**	**Property, plant & equipment and intangible assets**	**Other Assets (liabilities)**		**Invested capital**	*Financed by*	**Net financial position**	**Equity**	*of which*	**Equity pertaining to non-controlling interest**	**Equity pertaining to the Group**
Equity Investments	-0,2	29,5	6,1	-	35,4		55,8	91,2		0,3	91,0
Nursing Home (RSA) sector	-6,4	292,5	5,7	-	291,9		-297,5	-5,6		-2,2	-3,4
Design sector	11,0	44,0	-2,5	-	52,5		11,3	63,9		1,7	62,2
Automotive sector	4,0	41,9	0,3	-	46,2		-19,1	27,1		6,8	20,3
Clothing sector	13,0	29,3	-0,3	-	41,9		-14,5	27,4		2,7	24,7
Real Estate sector	25,3	10,2	2,1	-	37,5		-11,5	26,0		1,2	24,8
CONSOLIDATED TOTAL	**46,7**	**442,9**	**11,4**	**-**	**501,0**		**-271,0**	**230,0**		**10,4**	**219,6**

Information is provided below on the main events affecting the investees in the various sectors, with particular attention to the events that took place during the period and the related effects in terms of results.

Design Sector

Italian Bathroom Design Group S.r.l. ("IBD" formerly Mittel Design S.r.l.) is the subsidiary of the Mittel Group through which the acquisitions in the designer bathroom furnishings sector took place. The company controls an active group with about 350 employees, an annual turnover of more than EUR 83 million (from the original EUR 15 million), annual EBITDA of more than EUR 15 million (from the original EUR 5 million), with a sound and solid financial structure, which guarantees excellent cash generation, and boasts a significant share of exports, with data supported by the results that the companies have achieved in the last few years.

The route started in designer bathroom furnishings has been part of Mittel's broader business plan, which envisages the acquisition of majority shares in Italian small and medium-sized enterprises, with the aim of implementing business strategies to contribute to the creation of value in the long term. The designer bathroom furnishings sector and, more generally, the furnishings sector represents an industry in which Italy holds an important and recognised position of leadership at international level and within which Mittel believes that there is ample space to create an aggregation platform that involves companies operating in neighbouring and complementary sectors.

Mittel's growth path within the sector began in June 2017 with the acquisition of the majority stake in Ceramica Cielo S.p.A. (now 100% owned), a player engaged in the production and marketing of designer ceramic sanitary-ware and accessories for the luxury sector in Italy and abroad. The products, distributed under the "Cielo" brand, are characterised by a stylistically avant-garde design and an innovative use of materials. The company pays particular attention to R&D activities, experimenting with new styles and an innovative ceramic treatment, obtaining recognition for its excellence. Today, the «Cielo» brand is one of the leading brands for the entire sector of high-end bathroom furnishings.

Taking advantage of the acquisition of Ceramica Cielo, Mittel has created an aggregation platform for the companies acquired in the first half of 2019, Galassia S.r.l. and Disegno Ceramica S.r.l., two long-standing businesses in the Civita Castellana ceramics district.
The three companies are engaged in the design, production and marketing at international level of ceramic sanitary-ware and designer bathroom accessories, and are highly diversified (with a view to covering the entire product chain) in terms of positioning of products and customers.

The development project envisages, on the one hand, a strengthening of the operational and commercial collaboration of the three acquired companies and, on the other, a further development through new potential acquisitions, also in segments of the bathroom furnishings adjacent to that of ceramic sanitary-ware.
The three acquisitions carried out featured, in the initial phase, a very similar structure of the transaction: management continuity, maintenance by the company's operating guidance of a minority shareholding, definition of suitable shareholders' agreements in order to align interests and incentivise the creation of value, maintenance of corporate and management autonomy with respect to other Group entities.
At the same time, the acquisitions of Galassia and Disegno Ceramica were in any case based on the potential to activate important commercial and operating synergies between the Group companies, thanks to their differentiated and complementary positioning.

Since the entry of Galassia and Disegno Ceramica within the Mittel Group, various work sites have been launched - with the direct strategic and industrial involvement of Mittel management – aimed at gradually obtaining important results in these areas and strengthening the positioning and growth opportunities of IBD Group. These work sites generated the first positive effects in the first few months of 2020, before the onset of COVID-19 and the consequent closure of production, and were successfully developed in the subsequent months at the height of the pandemic period. The main areas of work on which we focused are:

- continuous work on product innovation;
- strengthening of brands and brand recognition (today at levels of excellence in Ceramica Cielo);
- "Archistar project", with the increasing inclusion of Ceramica Cielo in the main residential development projects in Milan;
- targeted strengthening of the management and operating structure of the newly acquired companies, within the most strategic operating areas and in any case always with a view to maintaining a broad management continuity;
- independent commercial strategies, but aimed at presenting the possibility of acting jointly in certain cases and pooling information and contacts with potential customers of the other Group companies; various commercial initiatives are underway, aimed at consolidating the positioning on the Italian market, opening up to new foreign customers and penetrating new commercial channels;

- sharing of lacking or exceeding production capacity, in order to maintain as much production as possible within the group and increase the use of available production capacity, with a consequent improvement in process efficiency;
- sharing of suppliers of products and services, in order to select those deemed best and obtain better supply conditions thanks to the increased requirements at Group level;
- adjustment of quality standards, in products and in company management, to the utmost excellence.

First half-year 2023 Design Results

Design sector *amounts in Mln EUR*	**Ceramica Cielo**	***Galassia***	***Disegno***	**Sector Total 30/06/2023**	*%*	**Sector Total 30/06/2022**	*%*
Revenues	*18,8*	*13,4*	*6,5*	38,0		**40,5**	
Operating costs	*(13,5)*	*(11,4)*	*(5,9)*	(30,2)		**(31,4)**	
EBITDA	***5,3***	***1,9***	***0,7***	**7,8**		**9,1**	
IFRS 16 reversal effect	**(0,3)**	**(0,0)**	**(0,1)**	**(0,5)**		**(0,3)**	
EBITDA before IFRS 16	***5,0***	**1,9**	**0,6**	**7,4**	*19%*	**8,8**	*22%*

Overall, the sector generated turnover of approximately EUR 38.0 million (compared to EUR 40.5 million in the first half of 2022 and EUR 75.7 million in the entire 2022), with IFRS 16 net EBITDA of EUR 7.4 million (EBITDA margin of approximately 19%) (compared to EUR 8.8 million in the first half of 2022 and EUR 15.4 million in the entire 2022).

After an extremely positive first quarter in terms of turnover, the companies recorded a slowdown in the second quarter, in a macroeconomic scenario characterised by the inflationary dynamics of the last period and the consequent monetary policy decisions, which will determine presumed impacts on the dynamics of industrial production and consumption.

As at 30 June 2023, Ceramica Cielo recorded a turnover of EUR 18.8 million (EUR 19.4 million in the comparison half-year and EUR 37.1 million in the entire 2022), with an EBITDA before IFRS 16 of EUR 5.0 million (EUR 4.7 million in the comparison half-year and EUR 9.0 million in the entire 2022) and a positive NFP of EUR 29.4 million (up further compared to EUR 26.4 million as at 31 December 2022).

Galassia recorded a turnover of EUR 13.4 million (EUR 14.3 million in the comparison period and EUR 26.4 million in the entire 2022), with an EBITDA before IFRS 16 of EUR 1.9 million (EUR 2.9 million in the comparison period and EUR 4.5 million in the entire financial year 2022) and a negative NFP of EUR 1.0 million (an improvement compared to EUR 1.8 million as at 31 December 2022).

Finally, Disegno Ceramica recorded a turnover of EUR 6.5 million (EUR 7.6 million in the comparison half-year and EUR 13.7 million in the entire 2022), with an EBITDA before IFRS 16 of EUR 0.6 million (EUR 1.2 million in the comparison half-year and EUR 1.9 million in the entire 2022) and a negative NFP of EUR 6.8 million (essentially in line with the one as at 31 December 2022).

The production and commercial synergies that the companies are continuing to implement should be highlighted. Their impact will continue to grow in the near future and the process has now made it possible to configure the investees in the sector as an integrated Group able to offer diversified and complementary products on different customer segments and on different geographic markets. These aspects, together with the level of industrial, economic and financial solidity achieved with the continuous business growth recorded in recent years thanks to Mittel's investment strategy, should be suitable to limit the negative impacts of the current macroeconomic context in the coming quarters, confirming the important ability to create value in this vertical, demonstrated in recent years and attained through the active and direct management of the investment and the strong commitment of an industrial nature.

Automotive Sector

Industria Metallurgica Carmagnolese (IMC) is active in the Automotive components sector. The company has around 110 employees and a turnover of around EUR 31 million (latest annual figure) and it is mainly operating in foreign markets.

The Automotive components sector is an industry in which Italy holds an important and recognised leading position at international level and within which Mittel believes there is room for further growth, consolidating IMC's competitive positioning both through the strengthening of relations with current customers and by means of a gradual expansion of the customer portfolio.

Founded in the 1960s, IMC is recognised by the main international OEMs (including, by way of example, Renault, Daimler, Volkswagen, BMW, MAN, Iveco) as an efficient and reliable supplier, able to quickly meet (temporary or structural) outsourcing requirements for moulding activities, such as peaks in production capacity, breakdowns or extraordinary maintenance of plants, management of the "end of life" of model platforms.

This ability to operate as a "supplier of last resort", together with the high quality of the product and service offered, historically allowed IMC to achieve profitability levels well above the industry average.

In September 2017, Mittel acquired a 75% majority stake in the company; the remaining share was maintained by the family of the founder, with whom a gradual generational "handover" was arranged.

In the period after the investment, Mittel's activities were particularly focused on the following aspects:

- strengthening of the management structure through the introduction, in full agreement with the minority shareholder, of new professionals in the roles of Chief Executive Officer, CFO, Technical Director;
- support to the commercial development of the company by setting up a steering committee focused on the consolidation of relations with existing customers and the development of new customers and new end markets;
- improvement of the reporting and control systems through the upgrade of the information systems, the implementation of a new management system, the introduction of structured procedures (by way of example, protection of privacy, model 231, etc.);
- adjustment of quality standards, in products and in company management, to the standards of excellence required by the Mittel Group.

First half-year 2023 Automotive Results

Automotive sector *amounts in Mln EUR*	**30/06/2023**	*%*	**30/06/2022**	*%*
Revenues	**22,5**		**20,6**	
Operating costs	**(19,1)**		**(17,5)**	
EBITDA	**3,4**		**3,1**	
IFRS 16 reversal effect (lease restoration)	**(0,7)**		**(0,7)**	
EBITDA before IFRS 16	**2,6**	*12%*	**2,4**	*11%*

In the first half of 2023 IMC confirmed the operational recovery recorded in 2022 (after a very difficult 2021 financial year and despite the impacts of the outbreak of the Russian-Ukrainian conflict), through constant commercial attention to the opportunities that arise in the current market context, also thanks to the high degree of reliability guaranteed, compared to competitors in the sector, from the point of view of industrial capacity and economic and financial soundness (also made possible by its being part of the Mittel Group).

The investee achieved a turnover of EUR 22.5 million (compared to EUR 20.6 million in the comparison half-year and with EUR 38.6 million for the entire 2022 and EUR 29.8 million for the entire 2021), a figure approximately 11% higher than the budget (equal to EUR 20.3 million).
EBITDA before IFRS 16 amounted to EUR 2.6 million (EBITDA margin of 12%, up compared to the comparison period), compared to EUR 2.4 million in the half-year of comparison, to EUR 3.6 million for the entire 2022 and

to EUR 1.4 million for the entire 2021. The figure is 18% higher than the budget (equal to EUR 2.2 million), due to the described growth of the top line, of a gross margin in line with forecasts (and which incorporates the price revisions obtained on the raw material and the lower degree of volatility of the same) and of the operating leverage effect.
The NFP net of IFRS 16 as at 30 June 2023 was negative for EUR 9.8 million (EUR 10.0 million as at 31 December 2022), mainly impacted by the absorption of working capital linked to the positive trend in turnover and a reduction in payables to suppliers compared to the peaks of previous periods.

Clothing Sector

Sport Fashion Service ("SFS") S.r.l., 90% of which was acquired by Mittel in November 2019, is active in the sale of clothing under the Ciesse Piumini brand (with a focus on outerwear) and operates in the informal clothing market and in particularly in the urban/lifestyle and outdoor segments.

Ciesse Piumini is the iconic, highly renowned brand, which has extended, over time, the experience built up in technical-sports products, also intended for extreme expeditions, clothes suited to urban fashion, combining manufacturing excellence with comfort and style.

The brand has been on the market since the mid-70s, the brand's representative logo being a liger, a rare feline born from the cross between a lion from Kenya, from which it inherits strength and authority, and a Bengal tiger, from which it obtains elegance and insatiable curiosity. The liger perfectly embodies the soul of Ciesse Piumini, inextricably linked to nature, authenticity and freedom. The strengths of the brand lie in the use of goose down for the creation of highly technical items for skiing and mountaineering, the choice of high quality products and the use of cutting-edge materials.

SFS operates mainly on the Italian market through the wholesale channel. The Ciesse Piumini brand is present in a widespread network of multi-brand stores in Italy, with collections for men, women and children. SFS manages the outlet stores in Pomezia, Barberino, Ovindoli and Abetone.

Since the acquisition by Mittel, intense activities were undertaken to reorganise the company, strengthen the structure and completely overhaul the communications model. These initiatives are part of the significant project of brand's growth and development, enhancing the solid business characteristics such as the historical heritage of the brand and the positive economic and financial performance.

Work on these initiatives was and is carried out in a macroeconomic context that was abruptly complicated, starting from 2020, by the health emergency linked to Covid-19, with repercussions on the company's economic-financial performance. This was obviously due to the effects of the lockdowns that took place starting from March 2020, with the consequent closure of stores, and, subsequently, to the restrictions of the winter months following the so-called "second wave" of the pandemic.

The industrial development and growth work carried out with a strong direct contribution from Mittel management concerned: (i) the renewal of the first managerial line with the inclusion of leading figures in key company roles; (ii) strengthening of brands and brand recognition, with renewal of communication via social media and brand ambassador agreements with leading figures; (iii) review of the commercial network, in line with the image and growth plans of the company.

On 15 September 2021, through the subsidiary vehicle Fashion Time S.r.l., Mittel S.p.A. acquired from the Court of Bologna the ownership of the Jeckerson brand, which operates in the informal clothing market and in particular in the urban/lifestyle segment. With this acquisition, Mittel S.p.A. continues its strategy of investing in companies that express Italian excellence. Jeckerson will be relaunched by Mittel S.p.A. through targeted industrial and communication investments, also thanks to the in-depth and historical knowledge of the brand and its potential by its reference shareholder Franco Stocchi, who had been the owner of the brand until 2008, contributing decisively to its success and enhancement. The acquisition of a new and important brand like Jeckerson by Mittel S.p.A. aims to create an Italian hub of reference in the urban/lifestyle and outdoor clothing sector and is part of an investment strategy aimed at seizing opportunities in Made in Italy brands and sectors with strong growth prospects. Jeckerson'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.

The investment in Jeckerson confirms the ability of Mittel S.p.A. to create and develop investment verticals, with an industrial approach that has proven to be particularly successful in the design/bathroom furnishings sector and prospectively in that of nursing homes.
The total investment of the Mittel Group for the purchase of the Jeckerson assets, entirely financed with its own funds, amounted to EUR 5 million plus VAT.

First half-year 2023 Clothing Results

Clothing sector *amounts in Mln EUR*	**30/06/2023**	**%**	**30/06/2022**	**%**
Revenues	5,8		5,8	
Operating costs	(6,2)		(5,8)	
EBITDA	**(0,4)**		**(0,0)**	
IFRS 16 reversal effect (lease restoration)	(0,3)		(0,3)	
EBITDA before IFRS 16	**(0,7)**	*n.d.*	**(0,4)**	*n.d.*

It should be noted that, as is known, Sport Fashion Service will generate its profit margins in the second half of the year, given the seasonality that characterises the Ciesse Piumini brand and also thanks to the contribution to the margins of the first collection of the new management of the Jeckerson brand, which until now has contributed only through the royalties accrued to licensees and the sales made by the two outlets used for the valuation of the inventory items acquired together with the brand.

As at 30 June 2023, the company recorded a turnover of EUR 5.8 million, substantially in line with the comparison period.
The Jeckerson brand contributes to the formation of revenues in the first half of 2023 for EUR 1.2 million, an amount attributable exclusively to: (i) the retail turnover relating to the continuation of the process of realisation of the previous inventory acquired together with the brand, which provided a half-yearly contribution equal to EUR 0.9 million; (ii) royalties accrued in the half-year (the last one before the revenue on the first internal collection, which will take place in the second half of the year) for EUR 0.3 million.
As regards the Ciesse Piumini brand, which contributes the remaining EUR 4.6 million as follows: (i) the Wholesale Channel contributed EUR 3.2 million, attributable to invoicing during the first half of the SS23 collection, with invoicing of the most important FW23/24 collections that will take place in the second half of the year; (ii) the Retail Channel recorded revenues of EUR 1.0 million; the residual contribution of the other channels (web, barter and samples) finally amounts to EUR 0.4 million.

EBITDA before IFRS 16 was negative for EUR 0.7 million (negative for EUR 0.4 million in the comparison period), negatively influenced, in a first half-year characterised physiologically (as extensively described) by less significant core revenues than the second, by the presence of fixed costs with linear trend during the year (with slight increases also linked to the launch of Jeckerson's internal collections).

The NFP before IFRS 16 followed the typical seasonal trend of the sector in the first half of the year, reaching values (EUR 5.6 million) improving considerably compared to the value of 31 December 2022 (EUR 9.8 million).

Nursing Home Sector

With regard to the contribution of the Nursing Home sector, subject to deconsolidation at the end of the period, please refer to the extensive information provided in other sections of this report and in the explanatory notes.

Real Estate Sector

As regards the real estate assets in the portfolio, after the constant results already obtained in the process of realisation of these assets in previous years (including the last significant collections in 2022, including those relating to the Regina Teodolinda - Como and Metauro-Milan contracts), in the first half of 2023 there were no particularly significant collections to report, amounting to EUR 0.9 million (EUR 1.1 million in the first half of 2022), mainly attributable to residual sales made on the Milan/Metauro contract (EUR 0.4 million), on the Bresso contract (EUR 0.3 million) and on the Vimodrone contract (EUR 0.2 million).

As at 30 June 2023, the historical inventories of the Real Estate sector, reflecting the trends of the last few years described above, amounted to EUR 25.2 million, a significant reduction compared to the amount of more than EUR 100 million at the moment in which the new corporate bodies changed their strategic direction of recent years.

On the other hand, it should be noted that during the half year, Mittel management identified an interesting investment opportunity in the real estate sector, located in Milan, in Via Cavriana, which led to the purchase by Mittel of 55% of the special purpose vehicle to which the asset to be developed belongs, for an initial investment pertaining to Mittel of EUR 7.7 million (and a total value, including minority interests, of the inventories acquired of EUR 10.4 million). This is an ambitious project (5 buildings for 12,500 square meters of commercial area) in an area with high potential, for the construction of a new and well-structured residential complex surrounded by greenery, in an area subject to intense redevelopment and featuring extensive green areas and urban orchards. The project therefore fits perfectly into the Group's sustainable development plans.

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.

With regard to the non-core assets in the portfolio, after the steady results already achieved in the process of realisation of these assets in previous years, no particularly significant collections were recorded in the first half of the year, which could, on the other hand, occur in the second half of the year, depending on the possible developments in certain important credit and equity items held.

After the completion in recent years of the process of reducing structural costs both of an operational nature (personnel, consultancy, etc.) and of a financial nature (with the last partial early repayment of the 2017-2023 bond made in July 2021, following which there was a residual debt of EUR 15 million, subject to final repayment in July 2023), the sale of the Zaffiro Group marked a further substantial step in the comprehensive Mittel Group's turnaround process. This will make it possible in the future to continue with determination in the process of creating value and increasing the size of the Group, both by supporting the growth of existing investment verticals and by launching targeted investments in new verticals in which management can express better skills.

The significant financial resources collected through the sale transaction, which were added to those already available at the holding company level, immediately made it possible to make a new investment, completed after the end of the half-year. In July 2023, in fact, Mittel acquired the company Gruppo Finestre, thus accessing the sector of production and distribution of windows and doors with high quality technical performance. With this transaction, Mittel has further expanded its portfolio of investments in diversified sectors, continuing along the path of investing in Italian SMEs of excellence operating in global markets, aimed at the creation of sustainable long-term value for all shareholders and other stakeholder categories.

Fatti di rilievo intervenuti nell'esercizio

Significant events in the first half of the year

Governance and corporate events

The Shareholders' Meeting of Mittel S.p.A. - which met on 21 June 2023 - unanimously expressed its opinion on the matters dealt with as follows:

Directors' Report on Operations, Report of the Board of Statutory Auditors, financial statements as at 31 December 2022
The Shareholders' Meeting resolved to approve the financial statements for the financial year from 1 January 2022 to 31 December 2022, as well as the proposal to balance the loss for the year of EUR 9,915,828 through the use of available reserves.

Report on the Remuneration Policy and on Compensation Paid pursuant to art. 123 ter of the Consolidated Law on Finance (TUF).
Considering the favourable binding vote cast on 15 December 2021 on the "Remuneration Policy for the 2022-2024 financial years", the Shareholders' Meeting resolved in an advisory manner to vote in favour of the "Compensation paid in the 2022 financial year" set out in Section II of the "Report on the remuneration policy and on compensation paid".

Additional significant events

On 27 January 2023, with the aim of concentrating in IBD Group S.r.l. 100% of the equity investments held in the operating companies of the Bathroom Furnishings sector Galassia S.r.l. (for the residual amount held by the CEO of the same company) and Disegno Ceramica S.r.l. (for the residual amount held by the company's Chief Executive Officer), the resolution of the Extraordinary Shareholders' Meeting of 20 January 2023 relating to the increase in the share capital of IBD Group S.r.l. reserved for the transferees, carried out through the contribution in kind of their respective investments in Galassia S.r.l. and Disegno Ceramica S.r.l., became effective. Specifically, the transaction involved an exchange of equity interests through the contribution of a 10% interest in the capital of Galassia S.r.l. and a 15% interest in the capital of Disegno Ceramica S.r.l., in exchange, respectively, for equity interests in the capital of IBD Group S.r.l., corresponding to 2.65% to the Chief Executive Officer of Galassia S.r.l. and 0.85% to the Chief Executive Officer of Disegno Ceramica S.r.l.. As a result of the above transaction, IBD Group S.r.l. holds 100% of Disegno Ceramica S.r.l. and Galassia S.r.l., in addition to the already held 100% of Ceramica Cielo S.p.A...
The transfer of the shares of the two companies resulted in a share capital increase from EUR 10,000.00 to EUR 10,363.00 and a total share premium reserve of EUR 5,369,637.00.

On 3 February 2023, Mittel S.p.A. announced to the market that it had signed with Sarafin S.p.A. (a company reporting to the managing director of Gruppo Zaffiro S.r.l., Mr Gabriele Ritossa, who holds, through Blustone S.r.l., an interest representing 40% of the share capital of Gruppo Zaffiro S.r.l.) a binding preliminary agreement subject to conditions precedent relating to: (i) the sale by Mittel S.p.A. to Sarafin S.p.A. of 60% of the share capital of Gruppo Zaffiro S.r.l., an important player in the Italian healthcare sector; (ii) the sale by Mittel S.p.A. to Sarafin S.p.A. of all receivables owed by Mittel S.p.A., under shareholder loan agreements, to Gruppo Zaffiro S.r.l.
The contract between Mittel S.p.A. and Sarafin S.p.A. was subject to the signing, by 15 March 2023, by Sarafin S.p.A., of a binding investment agreement with a leading institutional investor, aimed at financially supporting the transaction; Sarafin S.p.A. signed a non-binding term-sheet with the aforementioned institutional investor, who initiated the ordinary due diligence activities and contractual negotiations.
On 16 March 2023, Mittel S.p.A. informed the market that the deadline for fulfilling the condition precedent of 15 March 2023 was extended to 31 March 2023. On 31 March 2023, Mittel S.p.A. communicated to the market the fulfilment of the condition precedent for the sale of the majority stake held in the share capital of Gruppo Zaffiro S.r.l...
Lastly, on 28 June 2023, Mittel S.p.A. informed the market that it had completed the sale of the entire majority stake (equal to 60%) held in the share capital of Gruppo Zaffiro S.r.l. for a consideration of EUR 42 million. The transaction was completed through the sale to Sarafin S.p.A. and to the funds called "Eurizon Iter" as well as "Eurizon Iter Eltif" managed by Eurizon Capital SGR S.p.A. The sale transaction involved the recognition of a gross capital gain in the separate financial statements for Mittel S.p.A. of EUR 28.5 million (amount equal to the difference between the sale price of EUR 42 million and the book value of the investment of EUR 13.5 million) and the recognition on the consolidated financial statements of a positive impact on profit pertaining to the Group of EUR 45.4 million (deriving from the comparison of the sale price with the book value implicit in the consolidated financial statements as at 28 June 2023). At the same time as the aforementioned sale, Mittel

S.p.A. also collected from Gruppo Zaffiro S.r.l. an amount of EUR 26.6 million, by way of repayment of principal and interest on shareholder loans previously granted to it for a principal amount of EUR 25 million. The overall transaction, therefore, involves the collection of financial resources of EUR 68.6 million.

On 10 February 2023, the Shareholders' Meeting of Mittel S.p.A. unanimously resolved to approve the distribution, by way of extraordinary dividend, of part of the retained earnings reserve for a total of EUR 10,000,031.95 for the 81,347,368 ordinary shares with no nominal value in issue, corresponding to EUR 0.12293 per eligible ordinary share.
The dividend was settled at the intermediaries participating in the centralised share management system, Monte Titoli S.p.A., on 22 February 2023, with ex-dividend date of 20 February 2023 and record date of 21 February 2023.

With reference to the transaction with a related party of greater importance – concerning the purchase, on 15 November 2019, by Mittel S.p.A., of an equity investment representing 70% of the share capital of Sport Fashion Service S.r.l. from Blue Fashion Group S.p.A. and, upon appointment of the latter, of an investment representing 20% of the share capital of Fremil International S.r.l. – which had been disclosed to the market through the publication of an information document (drawn up pursuant to art. 5 of the Regulation containing the provisions on related party transactions - adopted by Consob with resolution no. 17221 of 12 March 2010 and subsequent amendments), disclosed on 20 November 2019 (the "Information Document"), subsequently supplemented and updated with: (i) the Supplement to the Information Document published on 7 February 2020 (the “First Supplement”) and (ii) the Second Supplement to the Information Document published on 16 July 2020 (the “Second Supplement”) – on 16 February 2023 Mittel S.p.A. signed an addendum to the purchase agreement which involved Mittel S.p.A. paying to Blue Fashion Group S.p.A. - in advance and, therefore, in derogation of the provisions contained in the article 3 of the contract for the purchase of the equity investment Sport Fashion Service S.r.l. – a total and all-inclusive amount, by way of Earn-out, conventionally agreed upon between Mittel S.p.A. and Blue Fashion Group S.p.A., and equal to EUR 2,000,000.00 by publishing, on 21 February 2023, the Third Supplement to the Information Document.
The Information Document, the First Supplement, the Second Supplement and the Third Supplement are all documents available on the Mittel S.p.A. website at: https://www.mittel.it/category/parti-correlate-documenti/

On 12 June 2023, Mittel S.p.A. acquired 55% of the share capital of the company Cascina Canavese s.r.l., active in the real estate development sector. The purchase was completed through the payment by Mittel S.p.A. of EUR 7.7 million, of which EUR 0.6 million for the purchase of the shares and the remaining EUR 7.1 million as a shareholder loan. The partnership between Mittel and other shareholders will allow the launch of a real estate project for the construction of 5 residential buildings in Milan.

Significant events after 30 June 2023

In relation to the provisions of IAS 10, after 30 June 2023, the reference date of the Half-yearly financial report, and until 27 September 2023, the date on which the Report was approved by the Board of Directors, no events took place which involved an adjustment of the data presented.

On 26 July 2023, Mittel S.p.A. continued the diversification of investments in Italian companies of excellence, entering the sector of production and distribution of PVC windows and doors with high quality technical performance through the acquisition of a shareholding in the company "Gruppo Finestre S.r.l.", which was established in 2005 thanks to Stefano Zanasi's acquisition of the Italian window production division of a multinational company and the consequent merger with the Fersina brand. The company specialises in the production of PVC windows and doors (80% of revenues), aluminum shutters (12%) and armoured doors/interior doors (8%). The acquisition involved the purchase, through equity, of 100% of Gruppo Finestre S.r.l. for a price of EUR 13.2 million by the vehicle Italian Windows Group S.r.l. (IWG) established by the Mittel Group as the holding company of the new window and door investment sector; Stefano Zanasi invested in 30% of the capital of IWG (the remaining 70% of which is therefore held by Mittel), sealing a strategic partnership with the entrepreneur aimed at growth. Among the main characteristics that make Gruppo Finestre a strategic investment, there is its commitment to sustainability, which is perfectly aligned with the objectives of Mittel S.p.A., given the important challenge of energy efficiency and reduction of emissions further promoted by the recent revision of the directive on energy efficiency in buildings (Energy Performance of Buildings Directive) approved by the European Union. In addition, the company has demonstrated solid cash generation and a strong positioning in the market, thanks to a diversified customer base and a direct sales strategy that makes it possible to preserve greater margins and consolidate the brand on the market. Entry into the capital by Mittel is aimed at supporting the growth process of Gruppo Finestre over a long-term time horizon. The prerequisite for development is based on the expansion of the commercial offer and the product distribution network on the various sales channels to further enhance the brand on the national market. Gruppo Finestre, which in 2022 achieved a turnover of over EUR 38 million and an EBTDA margin of 15%, currently produces at a plant just outside Pergine Valsugana (TN) high-quality items that meet the needs of the market and climate zones, and sells them through 14 owned stores and 120 resellers on the market.

On 27 July 2023, Mittel S.p.A. fully repaid the bond by paying EUR 15.2 million as principal and EUR 0.3 million as interest.

On 12 September 2023, the Shareholders' Meeting of Mittel S.p.A. approved the Remuneration Policy, as integrated with the 2022-2024 Policy, contained in Section I of the “Report on the Remuneration Policy and remuneration paid” (the “Report”), and the related adoption and implementation procedures. In particular, the integration of the M/L Incentive (which will continue to apply, with some changes, to the investments held in the Bathroom Furnishings, Automotive and Clothing sectors) with a new mechanism which, exclusively for the new Mittel shareholdings acquired and to be acquired from the beginning of June 2023, provides for a co-investment capable of generating in the Beneficiaries themselves an exposure to the risk of loss of invested capital. The Policy, as a result of the changes that have been better outlined in it, is functional to further aligning the interests of all shareholders and stakeholders with those of the Company's management, through the described share of the latter in the risk capital of the SPVs that the Company controls and will control in the course of the investment process in the various industrial targets.

Business outlook for the year

The evolution of the Group’s results is related to the performance of the sectors in which the strategic equity investments operate. The current macroeconomic context is, as is well known, characterised by the persistence of the restrictive monetary policy measures put in place by the monetary authorities as early as 2022, given the further intensification of inflation dynamics recorded after the outbreak of the Russian-Ukrainian conflict. The significant increase in interest rates continued throughout the first half of 2023 and also after the end of the year, with inevitable impacts on the dynamics of industrial production and consumption.

However, as it clearly emerges from the analysis of the financial data of the last few years and the half-year ended on 30 June 2023, the strong solidity demonstrated by the Group in the face of the difficult market context has always made it possible to limit the equity impacts and to show a strong financial and operational resilience, also containing the negative impacts on the economic results.

The sale of the Zaffiro Group, in addition to resulting in the exit (with an important economic result achieved compared to the original investment made) from an operating segment that, in the current economic situation (characterised by the trends described), was particularly penalised (for the difficulties in filling facilities, reversing of operating costs and the high absorption of financial resources), has further and significantly increased the cash and cash equivalents at the level of the holding system. The strong independence of the Group from the banking system and from external sources of financing will therefore make it possible to limit the impacts of the current market situation also on the financial management front, allowing it to continue immediately with the path of investment in new verticals or further strengthening of existing ones.

In this regard, the investment made in the Finestre Group after the end of the half-year will result in a further increase in the level of diversification of investments, favouring the mitigation of the market phenomena analysed also through the contribution of the new operating sector to the Group profitability results starting from the second half of the current year.

Therefore, the results of the Group in the coming months should reflect, compatibly with the uncertainty relating to the duration of the current market context and within the limits of the actions taken to contain its negative effects, the effects of the important growth path achieved to date as a dynamic and efficient industrial holding company, with a strong focus on further enhancing the significant investments made in recent years and on further development strategies and with the aim of creating long-term sustainable value for shareholders and all stakeholders.

Main ongoing legal proceedings and disputes

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

Dispute history

With regard to the known credit for approximately EUR 12.8 million held by Mittel S.p.A. ("Mittel") in relation to So.Fi.Mar International S.A. ("Sofimar") and Mr Alfio Marchini ("Mr Marchini") by virtue of the purchase by Sofimar of bare ownership of the 222,315 shares of Finaster S.p.A. (today in liquidation, hereinafter for brevity "Finaster"), which took place in the year ended 30 September 2005, Mittel obtained the arbitration award on 15 March 2016, with which the Board of Arbitrators ordered Sofimar to pay Mittel 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 Sofimar to pay Mittel S.p.A. around EUR 128 thousand in Mittel defence costs and approximately EUR 149 thousand as Milan Chamber of Arbitration costs and arbitrator fees incurred by Mittel. However, the Court of Arbitration declared that Mr Marchini, the controlling entity of Sofimar 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 Sofimar assets in Luxembourg, on 15 July 2016 Mittel obtained an exequatur order from the Luxembourg court. In accordance with this order, Mittel filed writs of attachment against Sofimar 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 Sofimar and Mr Marchini appealed the exequatur order that was part of the arbitration award. After the confirmation of the exequatur order from the arbitration award, the enforcement proceedings were resumed and then closed following the declaration of bankruptcy of Sofimar in Luxembourg, which will be discussed later.

In addition, Mittel 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 Sofimar by 9 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, submitted a negative statement. Mittel 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 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 Sofimar at the banks UBS AG and UBS Switzerland AG, which was not successful.
In September 2017, Mittel filed bankruptcy against Sofimar 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 Sofimar. 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.
On 22 May 2023, Mittel collected EUR 0.6 million from the bankruptcy of Sofimar.

In March 2017, a writ of summons was served to Mr Marchini in the interest of Mittel 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 as a result of the non-payment by Sofimar of the amount due to Mittel, awarded in arbitration. Mr Marchini appeared in court, challenging Mittel's claims and requesting that Mittel be sentenced pursuant to art. 96 of the Italian Code of Civil Procedures. At the outcome of the preliminary investigation, 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 at 31 July 2013 until full payment of the balance, plus the reimbursement of procedural expenses.

On the basis of the above-mentioned Court of Milan ruling no. 2737, at the end of July 2020 Mr Marchini was served with the order for payment.

By appeal served on 14 December 2020, Mr Marchini challenged the above-mentioned ruling of the Court of Milan requesting, on a preliminary and precautionary basis, the suspension of the provisional enforcement of the challenged ruling; first and foremost and with respect to the merits, the acceptance of the appeal and as a result, to fully overrule the challenged ruling, the rejection of all demands lodged by Mittel.

Mittel filed its entry of appearance in the above-mentioned appeal proceedings on 1 April 2021, requesting that the opposing party's appeal be rejected and proposing a conditional cross-appeal for the case in which one or more of the opposing party's grounds for appeal were accepted. At the hearing on 21 April 2021, the Court of Appeal, with regard to the opposing party's request to suspend the provisional enforceability of the ruling in the first instance, asked if Mittel would be willing to postpone enforcement until the proceedings are completed, if the hearing for the presentation of closing remarks could be scheduled quite quickly. Considering the possibility to obtain a decision relatively quickly, the Court's proposal was accepted.

The Court of Appeal of Milan, in a ruling published on 28 January 2022, upheld the fourth ground of appeal filed by Alfio Marchini and rejected "all the claims brought by Mittel against the latter and, as a result", declared "that nothing is owed by Alfio Marchini as compensation for damages". The Court - "in view of the particular complexity of the subject matter, involving numerous factual and legal elements susceptible of different appreciation" and "considering that the present appellant has put forward seven grounds of appeal, only one of which is considered well-founded" - has compensated "between the parties the costs of both levels of proceedings"; the Court has held that it was not proven that the damage suffered by Mittel was a "direct" consequence of the conduct of Mr Marchini.

Most recent updates

In July 2022, Mittel filed its appeal with the Court of Cassation against the aforementioned ruling issued by the Court of Appeal of Milan. The date of the hearing is pending.

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.

As highlighted in other sections of this report, the current macroeconomic context is characterised by the persistence of the restrictive monetary policy measures put in place by the monetary authorities as early as 2022, against the further intensification of inflationary dynamics recorded after the outbreak of the Russian-Ukrainian conflict. The significant increase in interest rates continued throughout the first half of 2023 and also after the end of the year, with inevitable impacts on the dynamics of industrial production and consumption.

Therefore, among the main factors of uncertainty that could affect the future scenarios in which the Group will find itself operating, there are the possible evolutions on the global and Italian economies directly or indirectly deriving from the current geopolitical and macroeconomic context, the impacts of which cannot be analytically and reliably quantified to date.

It should be noted, as specified also in the recent financial reports published, to which reference should be made, that the management of the Group immediately paid the utmost attention to these aspects, increasing the level of investment monitoring, to respond to the phenomena described by implementing all possible mitigation measures for related risks. Among the measures put in place that can mitigate the effects on the supply chain within the context recently developed, note the increase in the network of suppliers and the improvement in the purchasing planning processes by the subsidiaries. In addition, in response to the inflationary spiral, where possible, agreements with energy suppliers have been signed (tariff freeze), studies have been carried out or are in progress to obtain energy efficiency, and commercial activities have been intensified and price lists have been revised with the objective of maintaining margins in the current context. Lastly, the growing and continuous implementation of production and commercial synergies between the subsidiaries is noteworthy.

These promptly implemented measures have so far produced important results and should prove to be suitable to contain the impact on the expected results, even in the presence of significant incremental costs, especially energy costs, that may continue to occur in the future.

As far as the increase in rates is concerned, the Group's strong financial strength and consequent overall independence from market funding sources constitutes a strong mitigating factor for the potential risks described.

In this regard, it should be noted that the sale of the Zaffiro Group, in addition to determining the exit from a sector particularly exposed to the negative trends described, led to a further and significant increase in cash and cash equivalents, freeing the Group from a significant financial exposure.

It should also be noted that in July 2023 the Group also repaid the residual debt of the 2017-2023 bond.

The sensitivity analyses carried out during the year, assuming reductions in revenue and/or cost increases within reasonable ranges, albeit in a scenario of significant uncertainty, do not highlight considerable issues in terms of impairment tests for the consolidated financial statements.

Within the environment of uncertainty on the geo-political situation, characterising the current performance of the economy, the markets and perceived sovereign debt risk, not wholly dissimilar conditions can be assumed in the performance of ordinary operations. Therefore, periodic monitoring will continue to be carried out in order to mitigate the risks deriving from the contingent situation. For further information, please refer to the paragraphs "Risks associated with the current economic scenario and performance in the Group's operating sectors" and "Risks associated with the Russian-Ukrainian conflict".

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.

The recent economic situation was affected by the Russian-Ukrainian war conflict, which began on 24 February 2022. The conflict triggered a number of macroeconomic issues that are impacting operational activities:

- increased inflation;
- difficulties in finding certain raw materials;
- sharp increase in gas and energy costs and risk of energy supply interruption;
- increase in the prices of consumer goods (also due to the effects referred to in the previous points);
- reduction in sales volumes and issues relating to supply chains;
- restrictive monetary policies with consequent increase in interest rates.

Among the main factors of uncertainty are therefore the possible contagion developments on the global and Italian economies directly or indirectly related to the persistence of the current geopolitical and macroeconomic situation, especially for some sectors of operations, the impacts of which cannot be analytically and reliably quantified to date. The Group operates in a context of uncertainty and in a highly inflationary scenario, therefore any type of detailed forecast remains complex, although the Group has immediately paid the utmost attention to these aspects, implementing suitable measures to guarantee the procurement of raw materials on the one hand and the activation, where possible, of gas and energy supply contracts at fixed rates. The incremental use of alternative energy resources is also being constantly assessed.

Should a negative economic cycle consolidate, in light of the current economic situation, it cannot be ruled out that the resulting slowdown in industrial development could lead to a potential deterioration of the Group’s assets, and/or in the absence of adequate financial support, to the need to dispose of those assets at less than optimal values. In any case, these theoretical risks appear to be of remote applicability to the Group, given also its strong capital and financial strength.

With specific reference to investments in corporate holdings - by their nature characterised by a high level of risk, especially in the case 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. Considering the breakdown of the Group’s assets, which are less exposed to specific fluctuations in fair value, this risk can be in any event qualified as limited.

The cyclical nature of the reference markets and the consequent exposure to the economic situation and the trend of the sectors in which the Group operates, usually apply to the design ceramics and clothing sectors and to the automotive sector, which has an underlying demand for purchases of durable goods, strongly correlated with the evolution of purchasing power – and consequently with the trend of the economic situation - and the volatility and possibility of procurement of raw materials.

The Group’s operating sectors (design, clothing, automotive) were impacted by the macroeconomic dynamics, worsened by the Russian-Ukrainian war from 2022. As better specified in other sections of the report (and in the previous financial reports), the Group, and, in particular, the individual companies involved, have implemented a series of mitigation actions to these risks, which have so far produced important results and should be suitable to contain the impact on the expected results, even in the presence of significant incremental costs, especially energy costs, which have considerably impacted last year:

- revision of price lists with the aim of maintaining margins in the current inflationary scenario;
- intensification of sales activities;
- careful and active monitoring of energy and raw material prices;
- implementation of all suitable measures to guarantee the procurement of raw materials;
- improvement in purchasing planning and increase in the supplier network.

The significant increase in interest rates continued throughout the first half of 2023 and also after the end of the year, with inevitable impacts on the dynamics of industrial production and consumption.

However, as it clearly emerges from the analysis of the financial data of the last few years and the half-year ended on 30 June 2023, the strong solidity demonstrated by the Group in the face of the difficult market context has always made it possible to limit the equity impacts and to show a strong financial and operational resilience, also containing the negative impacts on the economic results.

The sale of the Zaffiro Group, in addition to resulting in the exit (with an important economic result achieved compared to the original investment made) from an operating segment that, in the current economic situation (characterised by the trends described), was particularly penalised (for the difficulties in filling facilities, reversing of operating costs and the high absorption of financial resources), has further and significantly increased the cash and cash equivalents at the level of the holding system. The strong independence of the Group from the banking system and from external sources of financing will therefore make it possible to limit the impacts of the current market situation also on the financial management front, allowing it to continue immediately with the path of investment in new verticals or further strengthening of existing ones.

In this regard, the investment made in the Finestre Group after the end of the half-year will result in a further increase in the level of diversification of investments, favouring the mitigation of the market phenomena analysed also through the contribution of the new operating sector to the Group profitability results starting from the second half of the current year.

With regard to the Real Estate sector, the risks emerging from the market crisis regard growth in interest rates and a possible decline in lending. 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.

As a result of the reduction of the Group’s historical real estate portfolio occurred in past years, it is estimated that the forecast medium/long-term effects of the possible risk of a decline in demand, a downturn in prices and the extension of sale and lease timing will have a limited impact, given the residual historical assets still held.

Another investment in the real estate sector was then made in the half-year (in Milan, in Via Cavriana), which led to the purchase by Mittel of 55% of the special purpose vehicle to which the asset to be developed belongs, for an initial investment pertaining to Mittel of EUR 7.7 million. This is an ambitious project (5 buildings for 12,500 square meters of commercial area) in an area with high potential, for the construction of a new and well-structured residential complex surrounded by greenery, in an area subject to intense redevelopment and featuring extensive green areas and urban orchards. The project therefore fits perfectly into the Group's sustainable development plans.

The focus on the sustainability of the project, also through the impact it will have on demand, may constitute an additional element to mitigate the risks associated with operations on the real estate market. Furthermore, also for this asset, the significant cash and cash equivalents present at the level of the holding system and the consequent independence from the financial sector, should make it possible to limit, during the development phase, exposure to the risks of obtaining financial sources and costs related to the current interest rate situation. Finally, the timing for the development of the contract should be such as to allow the marketing phase to take place at a different time in the market, in which the current macroeconomic and financial dynamics and their potential repercussions on real estate demand and prices may ease.

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

In recent years, the strategic guidelines have mainly been aimed at (i) implementing a process of rationalisation of the corporate structure of the Mittel Group; (ii) enhance non-strategic assets; (iii) develop investment activities with a permanent capital perspective. On the basis of this strategy, Mittel S.p.A. has embarked on an important path that included focusing on controlling investments in Italian small and medium enterprises characterised by high cash generation.
The 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.

Furthermore, as regards non-core assets in the portfolio, compatible with this difficult moment and taking into consideration the important results already achieved in that process in previous years, the valuation of assets has continued, in order to generate new resources for investment.

Finally, after the completion in recent years of the process of reducing structural costs both of an operational nature (personnel, consultancy, etc.) and of a financial nature (with the last partial early repayment of the 2017-2023 bond made in July 2021, following which there was a residual debt of EUR 15 million, subject to final repayment in July 2023), the sale of the Zaffiro Group marked a further substantial step in the comprehensive Mittel Group's turnaround process. This will make it possible in the future to continue with determination in the process of creating value and increasing the size of the Group, both by supporting the growth of existing investment verticals and by launching targeted investments in new verticals in which management can express better skills.

The significant financial resources collected through the sale transaction, which were added to those already available at the holding company level, immediately made it possible to make a new investment, completed after the end of the half-year. In July 2023, in fact, Mittel acquired the company Gruppo Finestre, thus accessing the sector of production and distribution of windows and doors with high quality technical performance. With this transaction, Mittel has further expanded its portfolio of investments in diversified sectors, continuing along the path of investing in Italian SMEs of excellence operating in global markets, aimed at the creation of sustainable long-term value for all shareholders and other stakeholder categories.

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.

The possible failure to dispose of significant parts of non-core assets, whose sale process is in any case well advanced to date, could hinder access to further funding for future investments. The substantial liquidity held, however, currently makes the risks that the failure to make the planned investments could have a negative impact on the economic-financial sustainability of the Group's indebtedness not significant for the Group (in fact, to date, only present for some of the Group's investees and in a context of a significantly positive consolidated financial position).

Should the aforementioned actions related to the Group’s operating model not be fully completed, impacting the Company’s competitive positioning, it cannot be ruled out that there could be negative impacts on the Group’s economic, equity and/or financial situation.

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. Moreover, the investees of Mittel S.p.A. may be in a position to distribute dividends even if profit for the year is recorded.

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 breach of contract, resulting in lenders requesting their immediate collection and causing problems in obtaining alternative financial resources.

The sale of the Zaffiro Group led, inter alia, to a strong increase in cash and cash equivalents and the release of the Group from a significant financial debt in the sector.

Therefore, as at 30 June 2023, in addition to the “Mittel 2017-2023” bond (repaid in July 2023 in any case) and after the sale of the Zaffiro Group, covenants are envisaged only on the residual portion of the medium/long-term loan taken out by the Group at the time of entry into the share capital of the investee IMC S.p.A. For this investee, after compliance with the covenants at the last formally completed audit, relating to the 2022 financial year, the company started negotiations for an overall rescheduling of the exposure and a restatement of future covenants. This negotiation is at an advanced stage and should soon lead to obtaining the new maturity plan and the waiver for the first half of 2023, which is expected to be verified by the end of September.

Risks related to interest rate fluctuations

The Mittel Group potentially uses various forms of financing to support its investments. Therefore, significant changes in interest rates could potentially involve in theory major increases/decreases in the cost of financing.

Historically, to mitigate these risks, the Group had issued a bond in 2017 with a fixed rate of 3.75% for a total of EUR 129.5 million, the residual amount of which (EUR 15.5 million) has been fully repaid in July 2023.

Also with a view to mitigating interest rate fluctuation risks, interest rate swap contracts are assessed on the bank debt contracted from time to time.

In any case, the strongly positive consolidated financial position, allowing a limitation of the external financial debt also of the individual investees, results in a low exposure of the Group to risks related to interest rate fluctuations.

Liquidity risk

Obtaining financial resources represents a factor of criticality for maintaining the 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.

However, 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 liquidity for the Parent Company and resulted in low Group financial debt. Finally, as mentioned above, the sale of the Zaffiro Group resulted in a further significant increase in cash and cash equivalents, making the Mittel Group highly liquid and largely independent from the banking sector and, consequently, little exposed to the risk in question.

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:

- on previous financial receivables related to vendor loans granted at the time of the divestment of some investments, maintaining a strong involvement in the entrepreneurial risk of the divested interests; however, the significant contraction in the volume of financial receivables of this type in recent years should be noted;
- concentration of credit on certain significant counterparties;
- increase in the average collection times of trade receivables, in particular on newly acquired industrial investees, with a subsequent deterioration in the financial position with respect to the forecasts.

Risks connected with the market value of property inventories

The significant sales made in recent years have considerably reduced the importance of the Group's invested capital in real estate investments and exposure to the related risks of changes in the respective market value. To date, there are only a few specific initiatives that have not presented significant divestments, in respect of which there is therefore a potential risk of obsolescence and capital losses. These potential risks also concern the possible freezing of financial resources on real estate assets, which would slow down the management's consolidated plan to concentrate financial resources mainly on investments in Private Equity transactions capable of continuing the considerable profitability recovery achieved by the Group.

It should be noted that 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 a valuation 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 the fact that the Group has written down its property assets where appraisals for the main property assets have 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.

In any case, to be noted is the significant simplification of the situation of disputes in recent years and the consequent sharp reduction in the associated risks.

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 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.

In this regard, it should be noted that the variable remuneration plan envisaged in Mittel's remuneration policy, which was further strengthened (in terms of alignment with shareholder interests) in September 2023, through the provision of a co-investment on new investments made as of June 2023, contributes to mitigating the risks associated with dependence on key figures of the parent company.

These risks also potentially exist for the key figures in the sectors of investees, who possess the expertise in operational areas that are potentially crucial for achieving the Group's strategy objectives. However, Mittel management's strong industrial oversight of the investees it holds contributes to mitigating these risks.

Risks related to dividend policy

The regulations of the "Mittel S.p.A. 2017-2023" fixed-rate bond, repaid in July 2023, required 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 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, as well as on the continued realisation of the remaining non-core assets, 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.

It should be noted that the exit during the half-year from the Zaffiro Group, which operates in a highly regulated sector, contributes to mitigating the risk in question.

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.

Risks associated with extraordinary transactions

The acquisitions of the last few years 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.

It is worth mentioning that the exit from the Zaffiro Group took place without the issue of any guarantee to the acquiring party and entailed the elimination of the risks associated with the sector of operations, the realisation of a significant capital gain on the book values (including the significant goodwill recognised) and the elimination of the significant financial debt of the investee.

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 and sales channels

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, while the operations of IMC require the procurement of steel. 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.

This situation arose in the last few years for the investee IMC, which had experienced a period of difficulty in sourcing raw materials and consequent upward price volatility. The company was able to pass on the higher costs related to the procurement of raw materials to OEM customers starting from the beginning of 2022.

The outbreak of the Russian-Ukrainian conflict created significant impacts on the economic system related to the supply chain and to the indirect repercussions on it induced by the sharp increases in the energy cost and, more generally, by the high inflation that was created. For further comments on the subject, with specific reference to the impact of the Russian-Ukrainian conflict, please also refer to the other sections of this report and the previous ones, where the topic is extensively discussed and applied to the Group's cases.

It should be noted that, precisely in order to minimise the risks connected with the potential unavailability of products in the times required by the sale process, Ciesse Piumini 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.

As far as sales channels are concerned, it should be noted that Ciesse Piumini acquires an important 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. In order to mitigate this risk, also due to the closure of points of sale carried out (in application of applicable government measures) multiple times during the most delicate moments of the health emergency in recent years, the Company is aiming to further develop the digital sales channel in the future.

In the design sector, the Group's companies are exposed to the risk of raw material (clay) procurement and, above all, rising energy costs, also due to the effects of the Russian-Ukrainian conflict. In this regard, note that

the group's investees operating in the sector qualify as "gas-intensive companies" and were significantly exposed to the further recent sharp rises in gas prices.
The Group has implemented all possible measures to mitigate these risks:

- better management of supplies and orders;
- careful and active monitoring of daily gas tariffs;
- use of photovoltaic plants by Galassia and Cielo and use of the cogeneration plant by Galassia;
- launch of studies to implement a further increase in energy efficiency;
- increasing the efficiency of production yields with 4.0 investments;
- signing of gas supply contracts activated from September 2021, in particular for Disegno and Galassia, with the possibility of fixing tariffs in advance.

Despite the measures implemented by the Group, it cannot be ruled out that the worsening of supply chain problems may lead to procurement difficulties and above all an increase in energy costs, with potential negative consequences on economic results.

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. For further comments on the subject, with reference to the impacts deriving from the Russian-Ukrainian conflict, please refer to the previous paragraphs.

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 effect 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 particular, the Group, taking into consideration the growing relevance of the issue at global level (e.g. EU Green Deal update) and also in light of the constant evolution of the reference regulatory context, is planning to further investigate the impact of related risks and opportunities.

Also in the two acquisitions made in 2023 (real estate initiative in Milan/Cavriana and Gruppo Finestre), the purchase decisions took into due consideration the strong consistency of the investments made with the sustainable development strategies of the Mittel Group. Also for future acquisitions, the Mittel Group will focus on ESG issues, with due diligence analyses carried out.

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 yearly published disclosure contained in the Consolidated Non-Financial Statement.

Risks associated with the Russian-Ukrainian conflict

Since the outbreak of the Russian-Ukrainian conflict, the Group’s management has promptly checked the possible direct exposure of the Group and its main investees to Russia and Ukraine, which is not significant. However, as mentioned above, the investees have been exposed to the indirect effects of the conflict, such as the increase in the price of raw materials and energy, rising interest rates and inflation rates, procurement difficulties and reduced propensity to consume.

Therefore, as described in detail in other sections of this report and previous ones, among the main factors of uncertainty that could affect the future scenarios in which the Group will operate, there are the possible developments on the global and Italian economies directly or indirectly resulting from the geopolitical and macroeconomic situation since the outbreak of the conflict, the impacts of which cannot be analytically and reliably quantified to date.

It should be noted, as specified also in other sections of this report and previous ones to which reference should be made, that the management of the Group immediately paid the utmost attention to these aspects, increasing the level of investment monitoring, to respond to the phenomena described by implementing all possible mitigation measures for related risks. These promptly implemented measures have so far produced important results and should prove to be suitable to contain the impact on the expected results, even in the presence of significant incremental costs, especially energy costs.

In the context of the uncertainty surrounding the geo-political situation that characterises the current economic, market and perceived risk trends, periodic monitoring will therefore continue in order to mitigate the risks arising from the difficult situation. For further information, please refer to the paragraphs “Risks associated with the current economic scenario and performance in the Group’s operating sectors”, "Operating risks" and "Business outlook for the year".

Altre informazioni

Other information

Research and development activities

Within the Group, specific research and development activities are carried out by the companies in the Design and Clothing sectors, in particular, 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' Regulation.

Significant non-recurring events and transactions

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

Consolidated Non-Financial Statement

Article 4 of Directive 2014/95/EU, concerning consolidated non-financial disclosure, envisages that the Member States must ensure that the provisions apply to all businesses falling under the scope of Article 1 starting from the year beginning 1 January 2017 or during 2017. Accordingly, art. 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 2022, to which reference should be made, was published at the same time as the consolidated financial statements as at 31 December 2022.

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 2022, 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.

Please refer to what is reported in detail in the section on the main events of the half-year, with regard to the transaction that provided for the early settlement of the earn-out relating to Sport Fashion Service S.r.l., and to the section on subsequent events, in relation to the change in Mittel's remuneration policy approved by the shareholders in September 2023.

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

The company has no share-based payment arrangements. Please refer to what has been extensively reported in the previous financial reports in relation to the adoption, following a review process of the incentive systems, with the favourable vote of the Shareholders’ Meeting of Mittel S.p.A. of 15 December 2021, of a medium/long-term only variable incentive system with a three-year duration (2022-2024) and to what is stated in the section on subsequent events for the subsequent change in September 2023.

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.

Financial Statements in single electronic reporting format - ESEF

It should be noted that, based on Directive 2004/109/EC (the "Transparency Directive") and the Delegated Regulation (EU) 2019/815, the issuers of securities listed on regulated markets in the European Union are required to draw up annual financial reports in XHTML format and mark up IFRS consolidated financial statements using the XBRL markup language (also called tagging), based on the ESEF (European Single Electronic Format) approved by ESMA. The Group's Annual Financial Report, which includes both the consolidated financial statements and the separate financial statements of the Parent Company, is prepared in XHTML format and provides for the tagging for the consolidated financial statements of the disclosure required by the Regulation for 2022. It can be consulted on the Mittel S.p.A. website *https://www.mittel.it*.

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

The reconciliation between equity and profit (loss) for the period of the Parent Company, as shown in the financial statements as at 30 June 2023, 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 EUR	30 June 2023		31 December 2022	
	Equity	Profit (loss) for the year	Equity	Profit (loss) for the year
Equity and profit (loss) of the Parent Company	**212,498**	**24,446**	**198,079**	**(9,916)**
Elimination of book value of consolidated investments:				
Value of investments in consolidated companies	(132,820)		(168,187)	
Goodwill arising on consolidation	49,705		95,448	
Intangible assets arising from business combinations				
Net capital gain attributed to the activities of consolidated companies				
Pro-rata amount of equity of consolidated companies	125,001		94,280	
Results achieved by fully consolidated companies		21,384		10,541
Cancellation of write-downs of investments				690
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		(474)		
Profit (loss) from investments measured using the equity method				
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				(394)
Dividends distributed by associates				(270)
Taxes:				
Adjustment of tax rates				
Other adjustments				
Equity and profit (loss) for the period pertaining to the Group	**254,384**	**45,356**	**219,620**	**651**
Non-controlling interests	19,118	(1,397)	10,355	(2,424)
Consolidated equity and profit (loss)	**273,502**	**43,959**	**229,975**	**(1,773)**

Consolidated Statement of Financial Position (*)

Amounts in thousands of EUR

	Notes	30.06.2023	31.12.2022
Non-current assets			
Intangible assets	4	61,571	109,734
Property, plant and equipment	5	54,143	302,091
- of which IFRS 16 rights of use		*18,389*	*233,457*
Investments accounted for using the equity method	6	3,009	3,483
Financial receivables	7	15,840	15,836
Other financial assets	8	11,473	11,740
Sundry receivables and other assets	9	1,138	1,292
Deferred tax assets	10	11,079	20,737
Total non-current assets		**158,254**	**464,913**
Current assets			
Inventories	11	67,856	55,665
Current tax assets	12	756	956
Sundry receivables and other assets	13	39,082	53,484
Cash and cash equivalents	14	108,925	61,716
Total current assets		**216,618**	**171,821**
Assets held for sale		-	-
Total assets		**374,872**	**636,734**
Equity			
Share capital		87,907	87,907
Share premium		53,716	53,716
Reserves		67,404	77,345
Profit (loss) for the period		45,356	651
Equity pertaining to the Group	15	**254,384**	**219,620**
Non-controlling interests	16	19,118	10,355
Total equity		**273,502**	**229,975**
Non-current liabilities			
Financial payables	17	18,322	282,698
- of which IFRS 16 financial liabilities		*16,397*	*255,406*
Other financial liabilities	18	-	2,009
Provisions for personnel	19	4,670	7,496
Deferred tax liabilities	20	1,155	1,821
Provisions for risks and charges	21	1,038	1,575
Sundry payables and other liabilities	22	208	170
Total non-current liabilities		**25,393**	**295,770**
Current liabilities			
Bonds	23	15,434	15,435
Financial payables	24	14,444	32,612
- of which IFRS 16 financial liabilities		*2,768*	*9,216*
Current tax liabilities	25	175	476
Sundry payables and other liabilities	26	45,925	62,467
Total current liabilities		**75,977**	**110,990**
Liabilities held for sale		-	-
Total equity and liabilities		**374,872**	**636,734**

(*) 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 also in the explanatory notes to these financial statements.

Consolidated Income Statement (*)

Amounts in thousands of EUR

		01.01.2023 30.06.2023	01.01.2022 30.06.2022 (**)
Revenue	27	67,298	73,231
Other income	28	3,849	3,421
Changes in inventories	29	1,949	405
Costs for purchases	30	(31,438)	(34,519)
Costs for services	31	(18,348)	(16,413)
Personnel costs	32	(16,938)	(15,438)
Other costs	33	(1,795)	(1,116)
Amortisation and value adjustments to intangible assets	34	(4,482)	(4,250)
Allocations to the provision for risks	35	(177)	-
Share of income (loss) of investments accounted for using the equity method	36	(474)	-
Operating result (EBIT)		**(556)**	**5,321**
Financial income	37	1,839	708
Financial expenses	38	(1,205)	(1,296)
Value adjustments to financial assets, loans and receivables	39	(105)	(1,611)
Profit (loss) from trading of financial assets	40	-	(72)
Profit (loss) before taxes		**(27)**	**3,050**
Income taxes	41	(424)	(405)
Income (loss) from continuing operations		**(451)**	**2,645**
Profit (loss) from discontinued operations		44,409	(3,630)
Profit (loss) for the year		**43,959**	**(985)**
Attributable to:			
Profit (loss) pertaining to non-controlling interests	42	(1,397)	(1,393)
Profit (loss) pertaining to the Group		**45,356**	**409**
Profit (loss) per share (in EUR)	43		
From ordinary, ongoing activities:			
- Basic		0.558	0.002
- Diluted		0.558	0.002

(*) 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 also in the explanatory notes to these financial statements, to which reference should be made.

(**) Some amounts shown in the column do not coincide with those reported in the Half-yearly financial report as at 30 June 2022 as they reflect the reclassifications related to the sale of the Zaffiro Group, in accordance with the provisions of IFRS 5. These reclassifications are detailed in the Note 3.

Consolidated Statement of Comprehensive Income

	Notes	01.01.2023 30.06.2023	01.01.2022 30.06.2022(**)
Profit/(loss) for the year (A)		**43,959**	**(985)**
Other comprehensive profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period:			
Profits/(losses) from remeasurement of defined benefit plans		(158)	860
Tax effect relating to other profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period		32	(177)
Total other profits/(losses) which will be not subsequently reclassified to profit/(loss) for the period, net of taxes (B.1)		**(126)**	**683**
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	15	(105)	33
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			
Total other profits/(losses) which will be subsequently reclassified to profit/(loss) for the period, net of taxes (B.2)		**(105)**	**33**
Total other profits/(losses), net of taxes (B) = (B.1) + (B.2)		**(231)**	**716**
Total comprehensive profit/(loss) A + B		**43,728**	**(269)**
Total comprehensive profit/(loss) attributable to:			
Non-controlling interests		(1,482)	(1,276)
Profit (loss) pertaining to the Group		45,210	1,007

(**) Some amounts shown in the column do not coincide with those reported in the Half-yearly financial report as at 30 June 2022 as they reflect the reclassifications related to the sale of the Zaffiro Group, in accordance with the provisions of IFRS 5. These reclassifications are detailed in the Note 3.

Statement of changes in consolidated equity for the half year ended 30 June 2023

	Share capital	Treasury shares	Capital reserves	Profit reserves	Reserve from remeasurement of defined benefit plans	Cash flow hedge reserve	Reserve for financial assets	Share of comprehensive profits/(losses) of companies valued using the equity method	Non-controlling interests	Total
Balance as at 1 January 2022	**87,907**	**-**	**53,716**	**81,272**	**(678)**	**44**	**-**	**-**	**17,164**	**239,426**
Changes in the consolidation scope				(3,707)	(45)				(3,218)	**(6,970)**
Dividends distributed									(403)	**(403)**
Total comprehensive profit/(loss)				408	576	23			(1,276)	**(269)**
Balance as at 30 June 2022	**87,907**	**-**	**53,716**	**77,973**	**(147)**	**67**	**-**	**-**	**12,267**	**231,783**
Balance as at 31 December 2022	**87,907**	**-**	**53,716**	**78,215**	**(282)**	**63**	**-**	**-**	**10,355**	**229,975**
Balance as at 1 January 2023	**87,907**	**-**	**53,716**	**78,215**	**(282)**	**63**	**-**	**-**	**10,355**	**229,975**
Changes in the consolidation scope				(454)	9				10,857	**10,412**
Dividends distributed				(10,000)					(612)	**(10,612)**
Total comprehensive profit/(loss)				45,356	(83)	(63)			(1,482)	**43,728**
Balance as at 30 June 2023	**87,907**	**-**	**53,716**	**113,117**	**(356)**	**-**	**-**	**-**	**19,118**	**273,502**

Consolidated Cash Flow Statement

	Notes	30.06.2023	30.06.2022 (**)
OPERATING ACTIVITIES			
Net profit (loss) for the year pertaining to the Parent Company and non-controlling interests		**43,959**	**(985)**
Adjustments to reconcile net profit (loss) with cash flows generated (absorbed) by operating activities:			
Current taxes		387	794
Deferred taxes		37	(389)
Depreciation of property, plant and equipment		4,285	4,083
Amortisation of intangible assets and write-downs		197	167
Financial income		(1,818)	(582)
Financial expenses		1,163	1,185
Gains/(losses) on exchange		22	(15)
Allocations to provisions for risks and charges		177	-
Provisions for employee severance indemnity		553	735
Profits/(losses) of investments measured using the equity method		474	-
Write-downs (reversals of impairment losses) on receivables		194	1,733
Capital (gains)/losses from transfer of investments and financial assets		(47,838)	-
Write-downs (reversals of impairment losses) on financial assets		(89)	(122)
Cash flows from operating activities before changes in working capital		**1,701**	**6,604**
(Increase)/decrease in inventories		(1,949)	(302)
(Increase)/decrease in other current assets		6,436	(774)
Increase/(decrease) in trade payables and other current liabilities		637	1,729
Cash and cash equivalents generated (absorbed) by operating activities		**6,825**	**7,257**
Usage of provisions for risks and charges		(322)	(57)
Payments of employee severance indemnity		(526)	(840)
Change in tax payables/receivables		(472)	(832)
(A) CASH FLOW GENERATED (ABSORBED) BY OPERATING ACTIVITIES		**5,505**	**5,528**
INVESTING ACTIVITIES			
Investments in:			
Investments		-	(6,973)
Other non-current assets (property, plant and equipment, including IFRS 16 rights of use)		(1,833)	(3,712)
Cash flow connected to business combinations:			
Cascina Canavese	**3**	(5,262)	-
Earn out Sport Fashion Service	**3**	(2,000)	-
Realisation from disposal of:			
Investments		-	270
Other financial assets		9	72
Net cash flow associated with discontinued operations		68,105	652
Other non-current assets (property, plant and equipment, intangible assets and other)		1,320	42
- Property, plant and equipment		1,320	-
- Intangible assets		-	42
(Increase)/decrease in financial receivables		(4)	1,570
Interest collected		1,044	582
(B) NET CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES		**61,380**	**(7,496)**
FINANCING ACTIVITIES			
Increase (decrease) in loans and borrowings from banks and other lenders (including IFRS 16 liabilities)		(7,899)	(4,519)
Interest paid		(1,164)	(1,184)
Payment of dividends by the Parent Company		(10,000)	-
Payment of dividends to non-controlling interests		(612)	(401)
(C) NET CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES		**(19,675)**	**(6,104)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D = A+B+C)		**47,209**	**(8,072)**
OPENING CASH AND CASH EQUIVALENTS (E)		61,716	67,560
CLOSING CASH AND CASH EQUIVALENTS (F = D+E)		**108,925**	**59,488**

(**) Some amounts shown in the column do not coincide with those reported in the Half-yearly financial report as at 30 June 2022 as they reflect the reclassifications related to the sale of the Zaffiro Group, in accordance with the provisions of IFRS 5. These reclassifications are detailed in the Note 3.

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

Amounts in thousands of EUR

	Notes	30.06.2023	*of which related parties*	*% incidence*	31.12.2022	*of which related parties*	*% incidence*
Non-current assets							
Intangible assets	4	61,571			109,734		
Property, plant and equipment	5	54,143			302,091		
- of which IFRS 16 rights of use		*18,389*			*233,457*		
Investments accounted for using the equity method	6	3,009			3,483		
Financial receivables	7	15,840			15,836		
Other financial assets	8	11,473			11,740		
Sundry receivables and other assets	9	1,138	25	2.2%	1,292		
Deferred tax assets	10	11,079			20,737		
Total non-current assets		158,254	25	0.0%	464,913		
Current assets							
Inventories	11	67,856			55,665		
Current tax assets	12	756			956		
Sundry receivables and other assets	13	39,082			53,484		
Cash and cash equivalents	14	108,925			61,716		
Total current assets		216,618	-		171,821		
Assets held for sale		-			-		
Total assets		374,872	25	0.0%	636,734		
Equity							
Share capital		87,907			87,907		
Share premium		53,716			53,716		
Reserves		67,404			77,345		
Profit (loss) for the year		45,356			651		
Equity pertaining to the Group	15	254,384			219,620		
Non-controlling interests	16	19,118			10,355		
Total equity		273,502			229,975		
Non-current liabilities							
Financial payables	17	18,322			282,698		
- of which IFRS 16 financial liabilities		*16,397*			*255,406*		
Other financial liabilities	18	-			2,009		
Provisions for personnel	19	4,670			7,496		
Deferred tax liabilities	20	1,155			1,821		
Provisions for risks and charges	21	1,038			1,575		
Sundry payables and other liabilities	22	208			170		
Total non-current liabilities		25,393	-		295,770		
Current liabilities							
Bonds	23	15,434			15,435		
Financial payables	24	14,444			32,612		
- of which IFRS 16 financial liabilities		*2,768*			*9,216*		
Current tax liabilities	25	175			476		
Sundry payables and other liabilities	26	45,925	3,425	7.5%	62,467	661	1.1%
Total current liabilities		75,977	3,425	4.5%	110,990	661	0.6%
Liabilities held for sale		-			-	-	
Total equity and liabilities		374,872	3,425	0.9%	636,734	661	0.1%

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

Amounts in thousands of EUR

	Notes	30.06.2023	*of which related parties*	*% incidence*	30.06.2022 (**)	*of which related parties*	*% incidence*
Revenue	27	67,298	25	0.0%	73,231	25	0.0%
Other income	28	3,849	25	0.6%	3,421	25	0.7%
Changes in inventories	29	1,949			405		
Costs for purchases	30	(31,438)			(34,519)		
Costs for services	31	(18,348)	(2,758)	15.0%	(16,413)	(400)	2.4%
Personnel costs	32	(16,938)	(297)	1.8%	(15,438)	(145)	0.9%
Other costs	33	(1,795)			(1,116)		
Amortisation and value adjustments to intangible assets	34	(4,482)			(4,250)		
Allocations to the provision for risks	35	(177)			-		
Share of income (loss) of investments accounted for using the equity method	36	(474)			-		
Operating result (EBIT)		**(556)**			**5,321**		
Financial income	37	1,839			708		
Financial expenses	38	(1,205)			(1,296)		
Value adjustments to financial assets, loans and receivables	39	(105)			(1,611)		
Profit (loss) from trading of financial assets	40	-			(72)		
Profit (loss) before taxes		**(27)**			**3,050**		
Income taxes	41	(424)			(405)		
Income (loss) from continuing operations		**(451)**			**2,645**		
Profit (loss) from discontinued operations	42	44,409			(3,630)		
Profit (loss) for the year		**43,959**			**(985)**		
Attributable to:							
Profit (loss) pertaining to non-controlling interests	43	(1,397)			(1,393)		
Profit (loss) pertaining to the Group		**45,356**			**409**		

(**) Some amounts shown in the column do not coincide with those reported in the Half-yearly financial report as at 30 June 2022 as they reflect the reclassifications related to the sale of the Zaffiro Group, in accordance with the provisions of IFRS 5. These reclassifications are detailed in the Note 3.

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 2022 were drafted in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union as at 31 December 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 condensed half-yearly consolidated financial statements were prepared on the basis of the general historical cost principle, amended as required for the valuation of certain financial instruments. The Directors established that, despite the presence of a difficult economic and financial context, no significant uncertainties existed, as defined by paragraph 25 of IAS 1, regarding the going concern assumption.

This section illustrates the general principles adopted in drafting the condensed half-yearly consolidated financial statements as at 30 June 2022, 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 in light of the actual data, although the general economic and financial context is characterised by volatility, 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 condensed half-yearly consolidated financial statements as at 30 June 2022 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 as 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 measured at fair value, as a balancing entry to the valuation reserve;
- the effective part of the profits and losses on cash flow hedging instruments.

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

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

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

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

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

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

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

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

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

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

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

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

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

Reclassifications on 2022 balances

The income statement balances for 2022, presented for comparative purposes, have been reclassified to reflect the effects of the sale of the Zaffiro Group (completed on 28 June 2023 and for the details of which, please refer to the paragraph "Significant events in the year"). In accordance with IFRS 5, the costs and revenues in 2022 related to the discontinued operations were reclassified to the special income statement item "Profit (loss) from discontinued operations", with no effect on the net result and equity as at 30 June 2022.

The following table shows the effect of the aforementioned reclassifications on the Consolidated Income Statement as at 30 June 2022.

Amounts in thousands of EUR

	01.01.2022 30.06.2022	**Reclassifications for sale Zaffiro Group**	**01.01.2022 30.06.2022 *Reclassified***
Revenue	98,351	25,120	73,231
Other income	6,759	3,338	3,421
Changes in inventories	405	-	405
Costs for purchases	(36,696)	(2,177)	(34,519)
Costs for services	(23,693)	(7,280)	(16,413)
Personnel costs	(28,270)	(12,832)	(15,438)
Other costs	(2,250)	(1,134)	(1,116)
Amortisation and value adjustments to intangible assets	(8,946)	(4,696)	(4,250)
Allocations to the provision for risks	(20)	(20)	-
Operating result (EBIT)	**5,640**	**319**	**5,321**
Financial income	754	46	708
Financial expenses	(6,151)	(4,855)	(1,296)
Value adjustments to financial assets, loans and receivables	(1,624)	(14)	(1,611)
Profit (loss) from trading of financial assets	(72)	-	(72)
Profit (loss) before taxes	**(1,453)**	**(4,504)**	**3,050**
Income taxes	469	874	(405)
Income (loss) from continuing operations	**(984)**	**(3,630)**	**2,645**
Profit (loss) from discontinued operations	-	3,630	(3,630)
Profit (loss) for the year	**(985)**	**-**	**(985)**
Attributable to:			
Profit (loss) pertaining to non-controlling interests	(1,393)	-	(1,393)
Profit (loss) pertaining to the Group	**409**	**-**	**409**

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 27 September 2023. Reference should be made to the information in the Directors’ Report on Operations for a description of the significant events after 30 June 2023.

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 at 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 at 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: Profit (loss) from discontinued operations.
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, when present, they are reclassified in the specific item in the income statement called “Profit (loss) from non-recurring transactions”.

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 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 Company 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 profits and losses, 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 is considered as transactions with the shareholders 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

In application of IFRS 9, the Group applies the forecast 'expected credit loss' (ECL) model.
The 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.

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 year 2020 was highly impacted by the global spread of the Coronavirus epidemic. Despite the rapid results made in the development of vaccines, the situation of uncertainty is also continuing in the first part of 2021. 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 year” and “Business outlook for the year”.
It should be noted that the sensitivity analyses carried out, also assuming reductions in revenue within reasonable ranges, given the uncertainty as regards the evolution of the epidemic, do not highlight significant issues in terms of impairment testing in the Group’s consolidated financial statements. The Group will continue to perform periodic monitoring in order to mitigate the risks deriving from the contingent situation. Please refer to the section “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 2023 – 30 June 2023 was not characterised by changes to the estimation criteria that was already applied to draft the financial statements as at 31 December 2022.

Changes in IFRS standards, amendments and interpretations

Standards, amendments and interpretations effective from 1 January 2023

The following IFRS standards, amendments and interpretations were applied for the first time by the Group from 1 January 2023:

- On 18 May 2017, the IASB published IFRS 17 - 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).

- On 9 December 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information". The amendment is a transition option related to comparative information on financial assets presented at the date of first application of IFRS 17. The amendment is aimed at avoiding temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore at improving the usefulness of comparative information for readers of the financial statements.

- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of the same amount, such as leasing and decommissioning obligations, must be accounted for.

- On 12 February 2021, the IASB published two amendments called "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8". The amendments are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of financial statements as well as to help companies distinguish between changes in accounting estimates and changes in accounting policies.

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

Standards, amendments and interpretations endorsed by the European Union, but not yet compulsorily applicable and not adopted early by the Group as at 30 June 2023

There are no standards, amendments and interpretations endorsed by the European Union to report that are not yet compulsorily applicable and not adopted early by the Group as at 30 June 2023.

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

As at the reporting date of these consolidated financial statements, the competent bodies of the European Union have still not completed the endorsement process necessary for the adoption of the standards and amendments described below.

- On 23 January 2020, the IASB published an amendment named "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document aims to clarify how to classify payables and other liabilities as current or non-current. The amendments enter into force as at 1 January 2024 but early application is permitted. The Group will adopt this amendment, based on the planned date of application, and will assess its potential impacts on the consolidated financial statements, when these are endorsed by the European Union.

- On 22 September 2022, the IASB published an amendment called "*Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback".* The document requires the seller-*lessee* to measure the liability for the *lease* relating to a sale *& leaseback* transaction so as not to recognise an income or a loss relating to the right of use withheld. The amendments enter into force as at 1 January 2024 but early application is permitted. The Group will adopt this amendment, based on the planned date of application, and will assess its potential impacts on the consolidated financial statements, when these are endorsed by the European Union.

- On 31 October 2022, the IASB published an amendment named "Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants". The document aims to clarify how to classify payables and other liabilities as current or non-current. The amendments enter into force as at 1 January 2024 but early application is permitted. The Group will adopt this amendment, based on the planned date of application, and will assess its potential impacts on the consolidated financial statements, when these are endorsed by the European Union.

- On 23 May 2023, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules". The document introduces a temporary exception to the obligations of recognition and disclosure of deferred tax assets and liabilities relating to the Model Rules of Pillar Two and provides for specific disclosure obligations for the entities concerned. The document provides for the immediate application of the temporary exception, while the disclosure obligations will only apply to annual financial statements starting on 1 January 2023 (or at a later date).

- On 25 May 2023, the IASB published an amendment called "Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures: Supplier Finance Arrangements". The document requires the drafter of the financial statements to provide additional information with the aim of providing the reader of the financial statements with information that allows them to assess how financial agreements with suppliers may affect the liabilities and cash flows of the entity and to understand the effects of such agreements on the entity's exposure to liquidity risk. The amendments enter into force as at 1 January 2024 but early application is permitted. The Group will adopt this amendment, based on the planned date of application, and will assess its potential impacts on the consolidated financial statements, when these are endorsed by the European Union.

- On 15 August 2023, the IASB published an amendment called "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document defines when it is possible to consider a currency as exchangeable (with another currency), specifies how an entity should determine the exchange rate when a currency falls within the definition of non-exchangeable currency and defines the additional information that the entity must provide when the entity must provide when a currency cannot be exchanged into another currency. The amendments enter into force as at 1 January 2025 but early application is permitted. The Group will adopt this amendment, based on the planned date of application, and will assess its potential impacts on the consolidated financial statements, when these are endorsed by the European Union.

Documents supporting the application of accounting standards in relation to the impacts of the Russian-Ukrainian conflict, issued by the European Authorities/Standard setters

Following the health emergency context deriving from the Covid-19 pandemic and its continuation, it had become necessary to manage the adoption of guidelines published by international Authorities and bodies. In fact, several Authorities had expressed their views with a series of indications and measures concerning both certain accounting aspects and financial reporting (for details of all communications issued, please refer to the financial statements as at 31 December 2021).
Similarly, in the face of the outbreak of the Russian-Ukrainian conflict, the main authorities issued a number of notices in order to provide a set of indications and guidelines that issuers must follow in order to provide adequate information on the possible and different risks deriving from the conflict that need to be reported. For details, please refer to the financial statements as at 31 December 2022.

Accounting impacts

The high degree of uncertainty of the current macroeconomic and financial scenario could reflect on the measurements and estimation of the book values of the assets and liabilities concerned by higher volatility. 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 value of goodwill and the assessment of the recoverability of deferred tax assets.

For the preparation of the condensed half-yearly consolidated financial statements as at 30 June 2023, 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 2023; 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 current contingent situation (in particular, in terms of forward looking information, expectations regarding GDP); as at 30 June 2023, there were impacts on the item value adjustments (EUR 0.8 million).
- Other financial assets: the adequacy of the fair values used was verified. In particular, as at 30 June 2023, there were no further negative fair value changes for the assets held, represented by units of real estate mutual funds and other financial assets of an investment nature.
- 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 value 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 2023, the analyses performed on the CGUs 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”. Finally, it should be noted that no further write-downs of inventories were recognised during the half-year.

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.

The table below indicates the investments included in the consolidation scope of the consolidated financial statements as at 30 June 2023:

	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	IBD Group S.r.l.	Milan	(1)	Full	Mittel S.p.A.	96.50%	96.50%	96.50%
2	IMC S.p.A.	Carmagnola (TO)	(1)	Full	Mittel S.p.A.	75.00%	75.00%	75.00%
3	Mittel Investimenti Immobiliari S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100.00%	100.00%	100.00%
4	Earchimede S.p.A.	Milan	(1)	Full	Mittel S.p.A.	99.71%	99.71%	99.71%
5	Mittel Advisory S.r.l. in liquidation	Milan	(1)	Full	Mittel S.p.A.	100.00%	100.00%	100.00%
6	Markfactor S.r.l. in liquidation	Milan	(1)	Full	Mittel S.p.A.	100.00%	100.00%	100.00%
7	Sport Fashion Service S.r.l.	Pomezia (RM)	(1)	Full	Mittel S.p.A.	90.00%	90.00%	90.00%
8	Progetto Raffaello S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100.00%	100.00%	100.00%
9	Cascina Canavese S.r.l.	Milan	(1)	Full	Mittel S.p.A.	55.00%	55.00%	55.00%
10	Verticale Finestre S.r.l.	Milan	(1)	Full	Mittel S.p.A.	100.00%	100.00%	100.00%
Indirect subsidiaries:								
11	Ceramica Cielo S.p.A.	Fabrica di Roma (VT)	(1)	Full	IBD Group S.r.l.	100.00%	100.00%	96.50%
12	Disegno Ceramica S.r.l.	Gallese (VT)	(1)	Full	IBD Group S.r.l.	100.00%	100.00%	96.50%
13	Galassia S.r.l.	Corchiano (VT)	(1)	Full	IBD Group S.r.l.	100.00%	100.00%	96.50%
14	Galassia Hispania S.a.u.	Spain	(1)	Full	Galassia S.r.l.	100.00%	100.00%	96.50%
15	Fremil GmbH	Germany	(1)	Full	Sport Fashion Service S.r.l.	100.00%	100.00%	90.00%
16	Gamma Tre S.r.l.	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	100.00%	100.00%	100.00%
17	Lucianita S.r.l. in liquidation	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	100.00%	100.00%	100.00%
18	MiVa S.r.l.	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	100.00%	100.00%	100.00%
19	Regina S.r.l.	Milan	(1)	Full	Mittel Investimenti Immobiliari S.r.l.	70.00%	70.00%	70.00%
20	Fashion District Group S.r.l. in liquidation	Milan	(1)	Full	Earchimede S.p.A.	66.66%	66.66%	66.47%
21	Parco Mediterraneo S.r.l. in liquidation	Milan	(1)	Full	Fashion District Group S.r.l. in liquidation	100.00%	100.00%	66.47%
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%

(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;
(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 2023, 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 first half of the year some changes occurred in the consolidation scope. Detailed information on the most significant changes is described below.

Acquisition of Cascina Canavese S.r.l. by Mittel S.p.A.

As described in the Directors' Report on Operations in the paragraph "Significant events in the first half of the year", on 12 June 2023, Mittel S.p.A. acquired 55% of the share capital of the company Cascina Canavese s.r.l., active in the real estate development sector. The purchase was completed through the payment by Mittel S.p.A. of EUR 7.7 million, of which EUR 0.6 million for the purchase of the shares and the remaining EUR 7.1 million as a shareholder loan. The partnership between Mittel and other shareholders will allow the launch of a real estate project for the construction of 5 residential buildings in Milan.

The acquisition did not lead to the initial recognition of goodwill.

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

Statement of financial position of Cascina Canavese S.r.l. as at 12 June 2023

Amounts in EUR ‘000	Cascina Canavese
Intangible assets	2
Sundry receivables and other assets	85
Deferred tax assets	3
Total non-current assets	**90**
Inventories	10,333
Sundry receivables and other assets	1,509
Cash and cash equivalents	2,438
Total current assets	**14,279**
Total non-current liabilities	**-**
Sundry payables and other liabilities	(371)
Total current liabilities	**(371)**
Net assets	**13,998**
Share of Net assets (55%)	**7,700**
Spot settled purchase price	7,700
Potential purchase price with deferred settlement	-
Fair value of the cost of the business combination at acquisition date	**7,700**
Goodwill of business combination	**-**

Liquidity connected with the business combination:	
Purchase price - spot settled share	(7,700)
Cash acquired	2,438
Net liquidity used for the acquisition	**(5,262)**

Investments with significant non-controlling interests: accounting information

Amounts in thousands of EUR

Subsidiaries:	Cascina Canavese S.r.l.	IMC S.p.A.	Ceramica Cielo S.p.A.	Disegno Ceramica S.r.l.	Earchimede S.p.A.	Fashion District Group S.r.l. in liquidation	Parco Mediterraneo S.r.l.	Regina S.r.l.	Galassia Group	Sport Fashion Service Group	IBD Group S.r.l.
Gross operating margin (EBITDA)	**7**	**3,379**	**5,263**	**691**	**(44)**	**(24)**	**(9)**	**(10)**	**1,940**	**(410)**	**(69)**
of which:											
Revenue	*0*	*22,740*	*20,257*	*6,900*	*0*	*26*	*0*	*6*	*14,506*	*6,202*	*25*
Changes in inventories	*33*	*(67)*	*475*	*202*	*0*	*0*	*0*	*0*	*(176)*	*2,290*	*0*
Costs for purchases	*0*	*(13,452)*	*(5,977)*	*(2,372)*	*0*	*0*	*0*	*0*	*(4,953)*	*(5,464)*	*0*
Costs for services	*(21)*	*(2,442)*	*(5,037)*	*(1,688)*	*(44)*	*(43)*	*(8)*	*(5)*	*(3,488)*	*(1,772)*	*(92)*
Personnel costs	*0*	*(3,355)*	*(4,133)*	*(2,294)*	*0*	*0*	*0*	*0*	*(3,730)*	*(1,580)*	*0*
Operating result (EBIT)	**7**	**1,177**	**4,478**	**279**	**(44)**	**(24)**	**(9)**	**(10)**	**1,419**	**(892)**	**(69)**
of which:											
Amortisation	*(0)*	*(2,201)*	*(786)*	*(413)*	*0*	*0*	*0*	*0*	*(521)*	*(385)*	*0*
Allocations	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*(97)*	*0*
Financial income	*0*	*1*	*306*	*3*	*81*	*45*	*0*	*2*	*18*	*60*	*228*
Financial expenses	*(13)*	*(466)*	*(80)*	*(134)*	*0*	*0*	*0*	*0*	*(115)*	*(203)*	*(108)*
(Adjustments to)/reversals of impairment losses on financial assets	*0*	*0*	*(13)*	*(1)*	*0*	*0*	*0*	*0*			*0*
Profit (loss) before taxes	**(5)**	**712**	**4,691**	**146**	**37**	**22**	**(9)**	**(8)**	**1,321**	**(1,044)**	**52**
Income taxes	*0*	*(167)*	*(1,012)*	*48*	*(14)*	*(5)*	*46*	*1*	*(121)*	*231*	*13*
Profit (loss) for the year	**(5)**	**545**	**3,679**	**194**	**22**	**16**	**37**	**(7)**	**1,199**	**(813)**	**65**
of which: Profit (loss) pertaining to non-controlling interests	*2*	*(136)*	*(129)*	*(7)*	*(0)*	*(6)*	*(12)*	*2*	*(42)*	*81*	*(2)*

Non-current assets	**90**	**40,629**	**13,215**	**6,186**	**1,207**	**8**	**2,062**	**0**	**13,570**	**29,104**	**12,045**
of which:											
Financial receivables	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other financial assets	*0*	*0*	*0*	*1*	*1,133*	*0*	*0*	*0*	*81*	*0*	*0*
Current assets	**14,548**	**18,070**	**45,081**	**9,386**	**7,544**	**265**	**81**	**428**	**17,989**	**13,701**	**6,362**
of which:											
Inventories	*10,366*	*7,349*	*5,559*	*4,596*	*0*	*0*	*0*	*0*	*5,943*	*8,802*	*0*
Financial receivables	*0*	*0*	*7,200*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*5,897*
Cash and cash equivalents	*1,989*	*1,007*	*22,170*	*739*	*7,530*	*100*	*48*	*398*	*2,949*	*961*	*251*
Total assets	**14,638**	**58,699**	**58,296**	**15,571**	**8,751**	**273**	**2,143**	**428**	**31,559**	**42,805**	**18,406**
Non-current liabilities	**0**	**7,684**	**3,615**	**1,381**	**0**	**0**	**0**	**0**	**2,954**	**4,410**	**0**
of which:											
Financial payables	*0*	*7,242*	*1,325*	*411*	*0*	*0*	*0*	*0*	*2,151*	*3,228*	*0*
Current liabilities	***644***	***23,360***	***12,343***	***13,493***	***78***	***76***	***4***	***349***	***11,098***	***11,801***	***9,940***
of which:											
Financial payables	*0*	*12,103*	*573*	*7,704*	*0*	*0*	*0*	*0*	*2,070*	*6,982*	*9,892*
Equity	**13,994**	**27,655**	**42,338**	**698**	**8,673**	**197**	**2,139**	**78**	**15,987**	**26,594**	**9,986**
of which attributable to non-controlling interests	***6,297***	***6,914***	***1,482***	***24***	***25***	***66***	***717***	***24***	***(560)***	***2,659***	***350***

Non-controlling interests, availability of votes of non-controlling interests 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
IBD Group S.r.l.	3.50%	3.50%	2	350	
Disegno Ceramica S.r.l.	3.50%	3.50%	7	24	
Galassia S.r.l.	3.50%	3.50%	40	527	
Galassia Hispania	3.50%	3.50%	2	33	
Ceramica Cielo S.p.A.	3.50%	3.50%	129	1,482	
Earchimede S.p.A.	0.29%	0.29%	-	25	
Fashion District Group S.r.l. in liquidation	33.53%	33.34%	6	66	167
Parco Mediterraneo S.r.l. In liquidation	33.53%	33.53%	12	717	
Zaffiro Group	40.00%	40.00%	(1,645)	-	
IMC S.r.l.	25.00%	25.00%	136	6,914	
Regina S.r.l. in liquidation	30.00%	30.00%	(2)	24	445
Sport Fashion Service S.r.l.	10.00%	10.00%	(81)	2,656	
Fremil GmbH	10.00%	10.00%	(1)	3	
Cascina Canavese S.r.l.	45.00%	45.00%	(2)	6,297	
			(1,397)	19,118	612

Consolidated statement of financial position - Assets

Non-current assets

4. Intangible assets

Intangible assets amounted to EUR 61.6 million, compared to EUR 109.7 million in the previous year.

The item saw the following changes:

	Goodwill	Trademarks	Plant	Concessions and licences	Other	Total
Values as at 01.01.2023	**96,550**	**12,597**	**17**	**509**	**61**	**109,734**
Changes in the year:						
- acquisitions	-	13	-	58	6	**77**
- increase due to business combinations	-	-	2	-	-	**2**
- depreciation	-	-	(8)	(188)	(2)	**(197)**
- other changes	(46,846)	(1,106)	-	(35)	(57)	**(48,044)**
Total changes	**(46,846)**	**(1,093)**	**(6)**	**(165)**	**(53)**	**(48,163)**
Values as at 30.06.2023	**49,705**	**11,504**	**11**	**344**	**8**	**61,571**

Goodwill as at 30 June 2023, amounting to EUR 49.7 million, is attributable to:
- for EUR 19.3 million to IMC;
- for EUR 18.4 million to Sport Fashion Service;
- for EUR 5.6 million to Ceramica Cielo;
- for EUR 4.4 million to Galassia;
- for EUR 2.1 million to Disegno Ceramica.

Compared to the balance of the previous period, there was a decrease of EUR 46.8 million due to the exit from the consolidation of the Zaffiro Group.

The “Trademarks” item, amounting to EUR 11.5 million, is detailed as follows:
- EUR 4.3 million for the Ceramica Cielo brand;
- EUR 3.4 million for the Jeckerson brand held at Sport Fashion Service
- EUR 2.0 million for the Galassia S.r.l. brand;
- EUR 1.8 million for brands (and in particular the “Ciesse Piumini” brand) held by Sport Fashion Service;

Compared to the balance of the previous period, there was a decrease of EUR 1.1 million due to the exit from the consolidation of the Zaffiro Group.

Goodwill impairment test

The persistence of the difficult macroeconomic situation also during the first half of 2023 was carefully considered on the basis of the provisions of IAS 36 and the ESMA and Consob recommendations, analysing all the potential impairment indicators, also deriving from the foreseeable impacts of the restrictive policy implemented by the ECB in response to the inflationary dynamics of the last period and the potential repercussions of the significant increases in rates on the dynamics of industrial production and consumption.

IAS 36 par. 10 requires that an intangible asset with an indefinite useful life or not yet available for use and goodwill be tested for impairment at least annually. Except when the requirements of paragraph 10 apply, the concept of materiality applies to identify whether the recoverable amount of an asset needs to be estimated. For example, if previous calculations show that the recoverable amount of an asset is significantly greater than its carrying amount, the entity does not need to reestimate the recoverable amount of the asset if no event has occurred that has eliminated that difference. Similarly, previous analyses may show that the recoverable amount of an asset is not affected by one (or more than one) of the indications listed in paragraph 12 (i.e. internal and external triggers).

Please note that as at 31 December 2022, as part of the annual impairment procedures required by IAS 36 for the related goodwill recognised in the consolidated financial statements, CGUs related to the Clothing and Automotive operating segments were tested for impairment. The update of the analyses as at 30 June 2023 did not show the presence of trigger events indicators.

Referring to the extensive information provided on the performance of the investees in other sections of this financial report, the following should be noted:

- IMC: in the first half of 2023, the company recorded an improvement over the comparison period and outperformed the budget, both in terms of revenues and margins; during the half-year there were no elements representative of developments with regard to the overall ability to comply with the financial plans included in the impairment test (and in the sensitivities) for the purposes of the 2022 financial statements;
- SFS: the analysis of the trend in turnover with respect to the budget, in a half-year that is not very indicative due to the seasonality that characterises the Ciesse brand and which does not yet include the launch of the marketing of the new Jeckerson collections, does not show significant differences; even the simulations carried out on the effect of the increase in rates on the WACC do not result in the break-even WACC being exceeded with respect to the book value determined during the impairment test as at 31 December 2022.

The economic performance of IMC, Sport Fashion Service to date has been substantially in line with the forecasts incorporated into the assessment processes as at 31 December 2022; in particular, the joint analysis of the various profiles:

- considerations incorporated within the cash flows used for the last impairment test performed;
- amount of the differences between carrying amounts and recoverable values of the CGUs recognised in the last impairment test as at 31 December 2022;
- 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;

as of today, it confirms that there are no further triggers of an internal and/or external nature that would require the impairment test to be carried out as at 30 June 2023, which will therefore be carried out at the time of preparing the annual financial statements, updating all business plans to take into account the further developments that will occur in the second half of this year.

Based on the above considerations, the impairment tests as at 30 June 2023 were performed on the CGUs linked to the Design operating sector, specifically represented by:

- Ceramica Cielo;
- Galassia;
- Disegno Ceramica.

For these CGUs, 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 2022 was drafted.

For the aforementioned companies, the plans used for the impairment test were carefully reviewed and approved by management and reflect with considerable prudence the negative impacts on foreseeable cash flows as a result of the current macroeconomic scenario, characterised, inter alia, by the persistence of policies restrictive monetary policies, implemented in response to the strong inflationary tensions of the last period, which could have an impact on the dynamics of industrial production and consumption.

The purpose of the impairment test on the aforementioned goodwill figures was to assess whether the carrying amounts as at 30 June 2023 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 forecast 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, Galassia and Disegno Ceramica CGUs.

Ceramica Cielo

Operating cash flows for the explicit forecast period (2023-2025)

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 due to the current macroeconomic situation.
For the purposes of the model used to calculate value in use, the 2023-2025 period has been assumed as the explicit time period for determining cash flows for the CGU, corresponding to the economic and financial projections reported in the Plan.

Terminal Value or residual value ("TV")

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

Discount rate for cash flows

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

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

- Cost of equity – K*e*: overall, the identified *cost of risk capital* (K*e*) was **11.5%**, 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 **4.1%**.

- 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 **0.71**.
  This coefficient was recalculated by assuming a financial structure typical of the sector in which the Company operates, for which a gearing (ratio between debt capital (D) and the sum of equity capital (E) and debt capital (D+E)) of 20% was calculated and it was deemed reasonable to assume a relevered Beta of **0.85**, which was taken into account for the determination of the cost of capital Ke;
- An estimated market risk premium was used equal to **5.0%**;
- From a prudential point of view, an overall specific risk premium/discount of **3.1%** 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 – K*d*: an analysis of the cost of non-current debt was carried out and a cost of debt sustainable over the long-term of **6.1%** 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 4.6%.

- 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, a target average leverage level in line with the reference market 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 25%, corresponding to a financial structure coefficient D/(D+E) of **20%**.

The *WACC* discount rate used for the assessment in question is therefore **10.1%** up by 1.1% from the rate used in the previous impairment test.

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 significantly higher than the book value of the CGU including goodwill that had been allocated as part of the PPA process.

(amounts in Thousand EUR)	30.06.2023	Impairment test 30.06.2023		Sensitivity (worst)	
Ceramica Cielo **Impairment test**	Capitale Investito = CGU book value **(A)**	Recoverable value (EV) **(B)**	Capital gain (+) / Impairment loss (-) **B-A**	wacc + 1% g=0 **(C)**	Capital gain (+) / Capital loss (-) **C-A**
Invested capital	***13.033***	***80.439***		***60.838***	
Goodwill	5.551				
Group Invested capital + Goodwill	***18.584***	***80.439***	***61.855***	***60.838***	***42.254***

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 relation to the macroeconomic situation affected by the Russian-Ukrainian conflict, this factor of uncertainty was prudently taken into consideration within the sensitivity analyses.

In particular, the impact on the value in use of an increasing change of up to 100 basis points in the discount rate and the reducing to zero of the growth rate "g" for the purpose of estimating the Terminal Value was verified. In the scenario analysed for the purposes of sensitivity, recoverable values would be approximately 24% 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 (2023-2025)

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 due to the macroeconomic situation related to the Russian-Ukrainian conflict.
For the purposes of the model used to calculate value in use, the 2023-2025 period has been assumed as the explicit time period for determining cash flows for the CGU, corresponding to the economic and financial projections reported in the Plan.

Terminal Value or residual value ("TV")

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

Discount rate for cash flows

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

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

- Cost of equity – K*e*: overall, the identified *cost of risk capital* (K*e*) was **11.5%**, 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 **4.1%**.
    - 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 **0.71**.
      This coefficient was recalculated by assuming a financial structure typical of the sector in which the Company operates, for which a gearing (ratio between debt capital (D) and the sum of equity capital (E) and debt capital (D+E)) of 20% was calculated and it was deemed reasonable to assume a relevered Beta of **0.85**, which was taken into account for the determination of the cost of capital Ke;
    - An estimated market risk premium was used equal to **5.0%**;
    - From a prudential point of view, an overall specific risk premium/discount of **3.1%** 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 – K*d*: an analysis of the cost of non-current debt was carried out and a cost of debt sustainable over the long-term of **6.1%** 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 4.6%.

- 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, a target average leverage level in line with the reference market 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 25%, corresponding to a financial structure coefficient D/(D+E) of **20%**.

The *WACC* discount rate used for the assessment in question is therefore **10.1%** up by 1.1% from the rate used in the previous impairment test.

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, including the goodwill that was allocated as part of the PPA process.

(amounts in Thousand EUR)	30.06.2023	Impairment test 30.06.2023		Sensitivity (worst)	
Galassia **Impairment test**	Invested capital = CGU book value **(A)**	Valore recuperabile (EV) **(B)**	Capital gain (+) / Impairment loss (-) **B-A**	wacc + 1% g=0 **(C)**	Capital gain (+) / Capital loss (-) **C-A**
Invested capital	***17.531***	***42.324***		***31.511***	
Goodwill	4.423				
Group Invested capital + Goodwill	***21.954***	***42.324***	***20.370***	***31.511***	***9.557***

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 100 basis points in the discount rate and the reducing to zero of the growth rate "g" for the purpose of estimating the Terminal Value was verified. In the scenario analysed for the purposes of sensitivity, recoverable values would be approximately 26% 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 (2023-2025)

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 due to the macroeconomic situation related to the Russian-Ukrainian conflict.

For the purposes of the model used to calculate value in use, the 2023-2025 period has been assumed as the explicit time period for determining cash flows for the CGU, corresponding to the economic and financial projections reported in the Plan.

Terminal Value or residual value ("TV")

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

Discount rate for cash flows

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

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

- Cost of equity – K*e*: overall, the identified *cost of risk capital* (K*e*) was **11.5%**, 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 **4.1%.**
  - 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 **0.71**.
    This coefficient was recalculated by assuming a financial structure typical of the sector in which the Company operates, for which a gearing (ratio between debt capital (D) and the sum of equity capital (E) and debt capital (D+E)) of 20% was calculated and it was deemed reasonable to assume a relevered Beta of **0.85**, which was taken into account for the determination of the cost of capital Ke;
  - An estimated market risk premium was used equal to **5.0%**;
  - From a prudential point of view, an overall specific risk premium/discount of **3.1%** 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 – K*d*: an analysis of the cost of non-current debt was carried out and a cost of debt sustainable over the long-term of **6.1%** 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 4.6%.

- 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, a target average leverage level in line with the reference market 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 25%, corresponding to a financial structure coefficient D/(D+E) of **20%**.

The *WACC* discount rate used for the assessment in question is therefore **10.1%** up by 1.1% from the rate used in the previous impairment test.

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 higher than the book value of the CGU including goodwill that had been allocated as part of the PPA process.

(amounts in Thousand EUR)	30.06.2023	Impairment test 30.06.2023		Sensitivity (worst)	
Disegno Ceramica Impairment test	Invested capital = CGU book value (A)	Recoverable value (EV) (B)	Gain in value (+) / Impairment loss (-) B-A	wacc + 1% g=0 (C)	Capital gain (+) / Capital loss (-) C-A
Invested capital	***7.525***	***17.164***		***12.660***	
Goodwill	2.071				
Group Invested capital + Goodwill	***9.596***	***17.164***	***7.567***	***12.660***	***3.064***

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 100 basis points in the discount rate and the reducing to zero of the growth rate g for the purpose of estimating the Terminal Value was verified. In the scenario analysed for the purposes of sensitivity, recoverable values would be approximately 26% 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

They amounted to EUR 54.1 million, compared to EUR 302.1 million in the previous year. More specifically, the item saw the following changes:

	Land and buildings	Investment property	Plant and machinery	Office machines and equipment	Rights of use	Other assets	Total
Values as at 01.01.2023	**31,887**	**-**	**20,227**	**10,975**	**233,457**	**5,545**	**302,091**
Changes in the year:							
- acquisitions	128	-	1,026	50	529	22	**1,756**
- disposals	-	-	(130)	-	(961)	(229)	**(1,320)**
- depreciation	(429)	-	(2,142)	(123)	(1,466)	(124)	**(4,285)**
- other changes	(16,607)	-	-	(9,802)	(213,170)	(4,521)	**(244,099)**
Total changes	**(16,907)**	**-**	**(1,246)**	**(9,875)**	**(215,068)**	**(4,851)**	**(247,948)**
Values as at 30.06.2023	**14,980**	**-**	**18,981**	**1,099**	**18,389**	**694**	**54,143**

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

Other changes, for a total of EUR 244.1 million, refer to the exit from the consolidation of the Zaffiro Group.

6. Investments accounted for using the equity method

These amounted to EUR 3.0 million, down by EUR 0.5 million from the comparative period.

	30.06.2023	31.12.2022
Mittel Generale Investimenti S.r.l.	3,009	3,483
	3,009	3,483

The change in the item is as follows:

Name/company name	% interest	Values as at 1.01.2023	Purchases	Transfers	Profit/(loss), pro-rata	Adjustments to valuation reserve	Other changes	Dividends distributed	Values as at 30.06.2023
Associates									
Direct									
Mittel Generale Investimenti S.r.l.	27.00%	3,483	-	-	(474)	-	-	-	3,009
		3,483	**-**	**-**	**(474)**	**-**	**-**	**-**	**3,009**

Information on companies subject to joint control and associates

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

(Thousands of Euro)	Total equity	Pro-rata equity	Goodwill	Other changes	Consolidated book value
Companies subject to significant influence:					
Mittel Generale Investimenti S.r.l.	11,146	3,009	-	-	**3,009**
	-	-	-	-	**3,009**

Associates

The key figures of the investee measured at equity are shown below, referring to the accounting situation as at 30 June 2023:

Companies subject to significant influence	Mittel Generale Investimenti S.r.l.
(thousands of Euro)	
Non-current assets	**9,937**
Financial receivables	8,700
Other financial assets	-
Current assets	**1,794**
Financial receivables	161
Cash and cash equivalents	638
Total assets	**11,731**
Equity	**11,146**
Non-current liabilities	**104**
Non-current financial payables	-
Current liabilities	**481**
Current financial payables	-
Total equity and liabilities	**11,731**
Gross operating margin (EBITDA)	**(154)**
Costs for services	(131)
Operating result (EBIT)	**(2,970)**
Amortisation	
Value adjustments to financial assets	(2,816)
Financial income	1,024

Financial expenses	-
Profit (loss) from trading of financial assets	-
Profit (loss) before taxes	**(1,946)**
Income taxes	-
Profit (loss) for the year (1)	**(1,946)**
Other profits/(losses) components net of taxes (2)	-
Comprehensive profit (loss) (3) = (1) + (2)	**(1,946)**

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 totalled EUR 15.8 million, essentially unchanged compared to the prior period.

	30.06.2023	31.12.2022
Loans	15,840	15,836
Other receivables	-	-
	15,840	**15,836**

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

8. Other financial assets

These totalled EUR 11.5 million, down by EUR 0.2 million.

The item is composed as follows:

	30.06.2023	31.12.2022
Financial assets		
Equities and fund units	11,473	11,393
Bonds	-	347
	11,473	**11,740**

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

	30.06.2023	31.12.2022
Equities and fund units:		
Fondo Augusto	10,208	10,118
Fondo Cosimo I	50	50
Investitori Associati II S.A.	833	833
Other	382	391
Bonds:		
BTP mat. 01/11/23	-	227
Generali life policy	-	120
	11,473	**11,740**

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

Name/company name	Values as at 01.01.2023	Purchases and subscriptions	(Recall of funds) Reimbursements	Transfers	Capital gains (losses)	Write-downs for impairment	Fair value adjustments	Values as at 30.06.2023
Equities and fund units:								
Fondo Augusto	10,118	-	-	-	-	-	90	10,208
Fondo Cosimo I	50	-	-	-	-	-	-	50
Investitori Associati II S.A.	833	-	-	-	-	-	-	833
Other	391	-	-	(9)	-	-	-	382
Bonds:								
BTP mat. 01/11/23	227	-	-	(227)	-	-	-	-
Generali life policy	120	-	-	(120)	-	-	-	-
	11,740	**-**	**-**	**(356)**	**-**	**-**	**89**	**11,473**

9. Sundry receivables and other assets

The “Sundry receivables and other assets” item totalled EUR 1.1 million (EUR 1.3 million as at 31 December 2022) and is composed as follows:

	30.06.2023	**31.12.2022**
Tax receivables	590	815
Other receivables	196	153
Other assets	351	324
	1,138	**1,292**

10. Deferred tax assets

These totalled EUR 11.1 million, down by EUR 9.6 million.

	30.06.2023	**31.12.2022**
Tax assets recognised through profit or loss	10,968	20,622
Tax assets recognised in equity	111	115
	11,079	**20,737**

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

	30.06.2023	**31.12.2022**
Opening balance	**20,622**	**18,710**
Increases	**647**	**2,535**
Relating to previous years	-	-
Increases in tax rates	-	-
Other increases	647	2,535
Decreases	**(10,301)**	**(622)**
Relating to previous years	-	-
Decreases in tax rates	-	-
Other decreases	(10,301)	(622)
	10,968	**20,622**

Other reductions for a total of EUR 9,617 million refer to the deconsolidation of the Nursing Home sector.

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

	30.06.2023	31.12.2022
Opening balance	**115**	**216**
Increases	**6**	**-**
Relating to previous years	-	-
Increases in tax rates	-	-
Other increases	6	-
Decreases	**(10)**	**(101)**
Relating to previous years	-	-
Decreases in tax rates	-	-
Other decreases	(10)	(101)
	111	**115**

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 2023.

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.

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 in recent years on the sizeable tax losses and other latent tax benefits that were accrued as part of the tax consolidation in previous years.

As at 31 December 2022, the remaining usable previous losses pertaining to the tax consolidation amounted to approximately EUR 83.2 million (of which approximately EUR 2.9 million transferred back to the subsidiaries of the Zaffiro Group as a consequence of the exit of the same from Mittel's CNM), in addition to the excess interest payable that can be used in the tax consolidation of around EUR 14.6 million, for a total tax value (at the tax rate of 24%) of approximately EUR 23.5 million (against a recognised value in deferred tax assets of EUR 9.9 million, of which EUR 0.8 million disappeared as a result of the deconsolidation of the Nursing Home Sector). During the half-year, no further deferred tax assets were recorded on the items of CNM.

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.

Current assets

11. Inventories

The item amounted to EUR 67.9 million, an increase of EUR 12.2 million compared to the previous year. In particular, the item is composed as follows:

	30.06.2023	31.12.2022
Property inventories	35,607	26,049
Inventories of goods and products	26,579	24,235
Inventories of raw materials	5,670	5,380
	67,856	**55,665**

Property inventories

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

	30.06.2023	31.12.2022
Cascina Canavese S.r.l.	10,366	-
Gamma Tre S.r.l.	1,900	1,900
Mittel Investimenti Immobiliari S.r.l.	21,235	21,718
MiVa S.r.l.	2,105	2,431
Total	**35,607**	**26,049**

The change in the "Property inventories" item is as follows:

	31.12.2022	initiative transfer/other	Increase for capitalisation of costs	Decrease for sales	Write-downs	Changes in advances	30.06.2023
Gamma Tre S.r.l.	1,900	-	-	-	-	-	1,900
Mittel Investimenti Immobiliari S.r.l.	21,718	-	-	(483)	-	-	21,235
MiVa S.r.l.	2,431	-	60	(385)	-	-	2,105
Cascina Canavese S.r.l.	-	10,333	33				10,366
Total	**26,049**	**10,333**	**93**	**(868)**	**-**	**-**	**35,607**

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. During the half year, there were no factors that required an update of the appraisals obtained for the purposes of the financial statements as at 31 December 2022, the values of which were therefore considered current, net of the disposals made, for this half-yearly report.

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.

Despite the difficult market environment, no write-downs were recognised during the half-year, mainly due to 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 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 future financial reports, on the basis of the evolutions of the market situation, which will be incorporated from time to time into the appraisals that will be requested 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 5.6 million for Ceramica Cielo S.p.A.;
- EUR 8.8 million for Sport Fashion Service S.r.l.;
- EUR 5.7 million for Galassia S.r.l.;
- EUR 7.3 million for IMC S.p.A.;
- EUR 4.6 million for Disegno Ceramica S.r.l.;
- EUR 0.2 million for Galassia Hispania;

In addition, the industrial warehouse is carefully measured when the reporting is closed, identifying any phenomena of obsolescence or slow- or no-moving goods. During the half year, no significant incremental write-downs were necessary other than those made at the end of the previous year.

12. Tax assets

The item amounted to EUR 0.8 million, a decrease of EUR 0.2 million.

	30.06.2023	31.12.2022
IRES (corporate income tax)	395	521
IRAP (regional business tax)	361	435
	756	**956**

IRES current tax assets refer primarily to Mittel S.p.A for EUR 388 thousand.

The IRAP component is attributable to receivables (mainly for overpaid advances) pertaining to Mittel S.p.A. (EUR 153 thousand), IMC S.p.A. (EUR 127 thousand), Galassia S.r.l. (EUR 41 thousand), Sport Fashion Service S.r.l. (EUR 31 thousand) and Disegno Ceramica S.r.l. (EUR 10 thousand).

The item showed the following changes:

	30.06.2023	31.12.2022
Opening balance	**956**	**1,520**
Increases	**186**	**266**
Relating to previous years	-	-
Other increases	186	266
Decreases	**(386)**	**(831)**
Reimbursements	-	-
Other decreases	(386)	(831)
	756	**956**

13. Sundry receivables and other assets

The item, amounting to EUR 39.1 million, decreased by EUR 14.4 million, of which EUR 10.2 million relating to the exit of the Zaffiro Group. As at 30 June 2023, the item was broken down as follows:

	30.06.2023	31.12.2022
Trade receivables	29,974	41,299
Other tax receivables	3,807	6,168
Other receivables	3,453	4,353
Accrued income and prepaid expenses	1,848	1,665
	39,082	**53,484**

The “Trade receivables” item is mainly comprised of receivables due from customers deriving from ordinary operations of Group companies.
The tax receivables refer mainly, for EUR 2.8 million, to VAT receivables pertaining to the Group companies.
The “Other receivables” item is mainly due to the contribution of: (i) the Automotive sector for EUR 0.6 million; (ii) the Design sector for EUR 1 million, (iii) the Fashion sector for EUR 1.3 million; (iv) the Real Estate sector for EUR 0.5 million and (v) Mittel S.p.A. for EUR 0.1 million.

The "Accrued income and prepaid expenses" item is mainly due to the contribution of: (i) the Design sector for EUR 1.2 million; (ii) the Fashion sector for EUR 0.2 million; (iii) the Automotive sector for EUR 0.2 million and the Parent Company contribution for EUR 0.3 million.

14. Cash and cash equivalents

Cash and cash equivalents, amounting to EUR 108.9 million (EUR 61.7 million as at 31 December 2022), include cash held by Group companies and investments in bank deposits. The item is composed as follows:

	30.06.2023	**31.12.2022**
Cash	39	178
Bank and postal deposits	108,886	61,538
	108,925	**61,716**

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

Statement of financial position - Liabilities

Equity

15. Equity pertaining to the Group

Equity pertaining to the Group stood at EUR 254.4 million, an increase of EUR 34.8 million from 31 December 2022.

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

	30.06.2023	**31.12.2022**
Share capital	87,907	87,907
Legal reserve	17,581	17,581
Treasury shares	-	-
Share/holding premium reserve	53,716	53,716
Valuation reserves	(356)	(219)
Other reserves	18,353	23,288
Profit (loss) of previous years	31,827	36,696
Profit (loss) for the year	45,356	651
Equity	**254,384**	**219,620**

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

Share capital

As at 30 June 2023, the share capital of the Parent Company Mittel S.p.A. of EUR 87.907.017 was broken down into 81.347.368 shares with no nominal value.

Treasury shares

As at 30 June 2023, the Parent Company held no treasury shares.

Valuation reserve

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

Amounts in thousands of EUR

VALUATION RESERVE AT FAIR VALUE	**Valuation reserve pertaining to the Group as at 01.01.2023**	**Effects of the first-time adoption of IFRS 9**	Fair value changes: Increases	Fair value changes: Decreases	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 30.06.2023	**Share pertaining to non-controlling interests as at 30.06.2023**	**Total valuation reserve as at 30.06.2023**
Cash flow hedge reserve									
Hedging derivatives	63	-		(63)	-	-	-		-
Total	**63**	**-**	**-**	**(63)**	**-**	**-**	**-**	**-**	**-**
Employee defined benefit plans (IAS 19 revised):									
Actuarial gains and losses reserve	(282)		(5)		(69)	-	(356)	20	(336)
	(282)		**(5)**	**-**	**(69)**	**-**	**(356)**	**20**	**(336)**
	(219)	**-**	**(5)**	**(63)**	**(69)**	**-**	**(356)**	**20**	**(336)**

Other comprehensive profits/(losses)

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

Amounts in thousands of EUR			Non-controlling interests		Profit (loss) pertaining to the Group	
	01.01.2023 30.06.2023	01.01.2022 30.06.2022	01.01.2023 30.06.2023	01.01.2022 30.06.2022	01.01.2023 30.06.2023	01.01.2022 30.06.2022
Profit/(loss) for the period (A)	**43,959**	**(985)**	**(1,397)**	**(1,393)**	**45,356**	**408**
Effective part of the cash flow hedges	(105)	33	(42)	10	(63)	23
Profits/(losses) from the redetermination of available-for-sale financial assets	-	-	-	-	-	-
Profits/(losses) from the transfer of available-for-sale financial assets	-	-	-	-	-	-
Release to the income statement of losses for fair value impairment on available-for-sale financial assets	-	-	-	-	-	-
Profits/(losses) of companies measured using the equity method	-	-	-	-	-	-
Profits/(losses) from remeasurement of defined benefit plans	(158)	860	(56)	141	(102)	719
Tax effect relating to other profits/(losses)	32	(177)	13	(34)	19	(143)
Total other profits/(losses), net of taxes (B)	**(231)**	**716**	**(85)**	**117**	**(146)**	**599**
Total comprehensive profit/(loss) (A) + (B)	**43,728**	**(269)**	**(1,482)**	**(1,276)**	**45,210**	**1,007**

The tax effect relating to Other consolidated profits/(losses) is composed as follows:

	01.01.2023 30.06.2023			01.01.2022 30.06.2022		
	Gross value	Tax expense/benefit	Net value	Gross value	Tax expense/benefit	Net value
Effective part of the cash flow hedges	(105)	-	(105)	33	-	33
Profits/(losses) from the redetermination 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	(158)	32	(126)	860	(177)	683
Other components of the statement of comprehensive income reclassified to the income statement	-	-	-	-	-	-
Total Other profits/(losses)	**(263)**	**32**	**(231)**	**893**	**(177)**	**716**

16. Non-controlling interests

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

	30.06.2023	**31.12.2022**
Share capital pertaining to non-controlling interests	1,716	13,060
Treasury shares pertaining to non-controlling interests	-	-
Other reserves pertaining to non-controlling interests	18,819	(355)
Non-controlling interests - Valuation reserve of financial assets	-	-
Non-controlling interests - Cash flow hedge reserve	-	42
Non-controlling interests - Valuation reserve IAS 19	(20)	32
Profit (loss) of non-controlling interests	(1,397)	(2,424)
Equity pertaining to non-controlling interests	**19,118**	**10,355**

Non-current liabilities

17. Financial payables

As at 30 June 2023, the item amounted to EUR 18.3 million, a decrease of EUR 264.4 million over the previous year, of which EUR 252.1 million relating to the exit of the Zaffiro Group.

The item is composed as follows:

	30.06.2023	31.12.2022
Bank loans	1,925	27,292
Liabilities for rights of use	16,397	255,406
	18,322	**282,698**

Galassia S.r.l. contributes EUR 1.9 million to the bank loans item.

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 and are shown in the statement of financial position as follows:

	30.06.2023	31.12.2022
Liabilities for short-term leases	2,768	9,216
Liabilities for medium/long-term leases	16,397	255,406
Total lease liabilities	**19,165**	**264,622**

The interest expense accrued in the half year on the financial liabilities booked pursuant to IFRS 16 amounted to a total of EUR 325 thousand.

18. Other financial liabilities

	30.06.2023	31.12.2022
Derivative financial instruments	-	9
Other liabilities	-	2.000
	-	**2,009**

The change of EUR 2 million is due to the payment of the Earn out by Mittel S.p.A. to Blue Fashion Group S.p.A. relating to the equity investment in Sport Fashion Service S.r.l.. For more information, please refer to the paragraph “Significant events in the year”.

19. Provisions for personnel

The item amounted to EUR 4.7 million, a decrease of EUR 2.8 million, and was composed as follows:

	30.06.2023	31.12.2022
Employee severance indemnity	4,670	7,496
Other allowances	-	-
	4,670	**7,496**

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

	30.06.2023	31.12.2022
Opening balances	**7,496**	**8,018**
Increases:		
- Allocation for the period	556	2,593
- Other increases	85	91
Decreases:		
- Utilisations	(230)	(1,057)
- Other decreases	(3,237)	(2,148)
	4,670	**7,496**

It should be noted that the item other decreases, for EUR 2.9 million, relates to the deconsolidation of the Zaffiro Group during the period.

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 projected salary 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 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.

20. Deferred tax liabilities

These amounted to EUR 1.2 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:

	30.06.2023	31.12.2022
Tax liabilities recognised through profit or loss	1,129	1,758
Tax liabilities recognised in equity	25	63
	1,155	**1,821**

The item is mainly composed of: (i) for EUR 510 thousand by Disegno Ceramica S.r.l., (ii) for EUR 512 thousand by Sport Fashion Service S.r.l., (iii) for EUR 61 thousand by Ceramica Cielo S.p.A., (iv) for EUR 22 thousand. by IMC S.p.A., (v) for EUR 19 thousand by Galassia S.r.l., (vi) for EUR 22 thousand by Mittel S.p.A. and for EUR 9 thousand by Mittel Investimenti Immobiliari S.r.l..

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

	30.06.2023	31.12.2022
Opening balance	**1,758**	**2,232**
Increases	**75**	**232**
Relating to previous years	-	-
Increases in tax rates	-	-
Other increases	75	232
Decreases	**(704)**	**(706)**
Relating to previous years	-	-
Decreases in tax rates	-	-
Other decreases	(704)	(706)
	1,129	**1,758**

It should be noted that the item other decreases, for EUR 0.6 million, relates to the exit of the Zaffiro Group from the consolidation scope.

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

	30.06.2023	31.12.2022
Opening balance	**63**	**41**
Increases	**-**	**28**
Relating to previous years	-	-
Increases in tax rates	-	-
Other increases	-	28
Decreases	**(38)**	**(5)**
Relating to previous years	-	-
Decreases in tax rates	-	-
Other decreases	(38)	(5)
	25	**63**

21. Provisions for risks and charges

The item amounted to EUR 1 million, a decrease of EUR 0.6 million, and was composed as follows:

	30.06.2023	31.12.2022
Provision for risks:		
Legal disputes	288	512
Other disputes	4	396
Other provisions:		
Other expenses	746	666
	1,038	**1,575**

The item saw the following changes:

	30.06.2023	31.12.2022
Opening balance	**1,575**	**1,436**
Increases:		
Allocation for the period	122	314
Other increases	15	-
Decreases:		
Utilisations in the period	(283)	(174)
Other decreases	(392)	-
	1,038	**1,575**

The “Provision for risks and charges” item is composed mostly of allocations made by the Parent Company Mittel S.p.A. for EUR 0.1 million, by the companies of the Real Estate sector for EUR 0.1 million, Disegno Ceramica S.r.l. for EUR 0.2 million, Sport Fashion Service S.r.l. for EUR 0.3 million and Ceramica Cielo S.p.A. for EUR 0.3 million.
The provision of the Parent Company Mittel S.p.A. of EUR 0.1 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).

22. Sundry payables and other non-current liabilities

They amount to EUR 0.2 million (EUR 0.2 million as at 31 December 2022) due to the contribution of non-current liabilities of the companies in the Design sector.

Current liabilities

23. Bonds

As at 30 June 2023, the book value of the liability for bonds breaks down as follows:

	30.06.2023	31.12.2022
“Mittel S.p.A. 2017-2023" bonds, fixed rate 3.75%		
Current portion	15,433,995	15,435,091
Non-current portion	-	-
Total bonds	**15,433,995**	**15,435,091**

The table below shows the differential between the nominal value of the bond issue (including the coupon accrued at 30 June 2023) and its book value. 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.

	30.06.2023	31.12.2022
Current portion		
“Mittel S.p.A. 2017-2023” bonds, fixed rate 3.75% (coupon in the process of maturity)	240,406	245,089
“Mittel S.p.A. 2017-2023” bonds, fixed rate 3.75% (repayment value at maturity)	15,194,464	15,194,464
Total nominal repayment value	**15,434,870**	**15,439,553**
Measurement at amortised cost	(875)	(4,462)
Total book value	**15,433,995**	**15,435,091**

The fair value as at 30 June 2023 of the bond issue is EUR 15.4 million.

As reported in the paragraph of the Directors' Report on Operations, "Significant events after 30 June 2023", the bond was fully extinguished on 27 July 2023.

24. Financial payables

These totalled EUR 14.4 million, down by EUR 18.2 million, of which EUR 22.5 million relating to the exit of the Zaffiro Group.

The item is composed as follows:

	30.06.2023	31.12.2022
Bank loans	826	3,066
Current portion of medium/long-term bank loans	10,850	12,679
Liabilities for rights of use	2,768	9,216
	14,444	**32,612**

Bank loans are composed of loans or other short-term credit facilities granted by leading banks, regulated at rates indexed to the 1-3 month Euribor with short-term expiry. Disegno Ceramica S.r.l. contributes to this item for EUR 0.8 million.

IMC S.p.a. contributes EUR 10.9 million to the current portion of long-term bank loans.

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

25. Current tax liabilities

This item totalled EUR 0.2 million, down EUR 0.3 million from the prior year, and is composed of tax liabilities broken down as follows:

	30.06.2023	31.12.2022
IRES (corporate income tax)	-	-
IRAP (regional business tax)	175	130
Other	-	346
	175	**476**

	30.06.2023	31.12.2022
Opening balance	**476**	**1,514**
Increases	**158**	**124**
Relating to previous years	-	-
Other increases	158	124
Decreases	**(459)**	**(1,162)**
Reimbursements	-	-
Other decreases	(459)	(1,162)
	175	**476**

The item mainly consists of the contribution of IMC S.p.A. for EUR 69 thousand, Disegno Ceramica S.r.l. for EUR 38 thousand, and Ceramica Cielo S.p.A. for EUR 68 thousand.

26. Sundry payables and other liabilities

These totalled EUR 45.9 million, down by EUR 16.6 million compared to the previous year of which EUR 16.9 million relating to the exit of the Zaffiro Group. Therefore, net of the deconsolidation of the Zaffiro Group, the item “Sundry payables and other liabilities” shows an increase of EUR 0.4 million during the period.
The breakdown is shown below:

	30.06.2023	31.12.2022
Trade payables	29,929	42,709
Tax payables	1,515	1,792
Payables relating to employees	4,713	5,633
Payables due to directors and statutory auditors	3,479	1,035
Payables due to social security institutions	2,178	4,002
Other payables	1,062	4,370
Accrued expenses and deferred income	3,049	2,926
	45,925	**62,467**

The "Trade payables" item mainly includes: EUR 8.7 million in payables recognised by IMC S.p.A., EUR 6.5 million by Ceramica Cielo S.p.A., EUR 5.8 million by Galassia S.r.l., EUR 2.9 million by Disegno Ceramica S.r.l., EUR 0.7 million by the parent company Mittel, EUR 0.7 million by companies in the Real Estate sector, EUR 0.6 million by Cascina Canavese S.r.l. and EUR 4 million by Sport Fashion Service S.r.l..

The “Other payables” item is mainly explained:
(i) for EUR 0.4 million by advances and earnest money received by the Real Estate companies;
(ii) for EUR 0.4 million by the contribution of IMC S.p.A.;
(iii) for EUR 0.2 million by the contribution of Ceramica Cielo S.p.A.;

27. Revenue

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

	30.06.2023	30.06.2022
Revenue from sales	66,231	66,862
Revenue from property sales	942	6,254
Revenue from rent	101	90
Revenue from provision of services	25	25
	67,299	**73,231**

The item revenue from sales refers primarily to IMC S.p.A. (EUR 22.4 million; EUR 20.6 million as at 30 June 2022), Ceramica Cielo S.p.A. (EUR 18.8 million; EUR 19.4 million as at 30 June 2022), Disegno Ceramica S.r.l. (EUR 6.3 million; EUR 7.5 million as at 30 June 2022), the revenue of Galassia S.r.l. and its investee Galassia Hispania (EUR 12.9 million; EUR 13.5 million as at 30 June 2022), the revenue of Sport Fashion Service S.r.l. (EUR 5.8 million; EUR 5.2 million as at 30 June 2022).

The “Revenue from property sales” item refers to revenue from sales of property inventories. In particular, it consists of the contribution of Mittel Investimenti Immobiliari (EUR 0.5 million; EUR 0.3 million as at 30 June 2022), and MiVa S.r.l. (EUR 0.4 million; EUR 6 million as at 30 June 2022).

The item “Revenue from rent” is primarily due to revenue from lease agreements of real estate companies in the Group for EUR 82 thousand (EUR 90 thousand as at 30 June 2022) and Galassia S.r.l. for EUR 19 thousand.

The item Revenues from provision of services is due to the contribution of the parent company Mittel.

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.

Values as at 30 June 2023

Geographic market	Operating sector					
	Automotive	**Design**	**Clothing**	**Real Estate**	**Investments**	**Total**
Italy	5,102	24,861	5,769	1,023	25	36,778
Abroad	17,356	13,163	-	-	-	30,519
	22,458	**38,024**	**5,769**	**1,023**	**25**	**67,299**

As at 30 June 2022

Geographic market	Operating sector					
	Automotive	**Design**	**Clothing**	**Real Estate**	**Investments**	**Total**
Italy	6,622	26,344	5,430	6,344	25	52,130
Abroad	13,958	14,128	380	-	-	21,101
	20,580	**40,472**	**5,810**	**6,344**	**25**	**73,231**

28. Other income

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

	30.06.2023	30.06.2022
Recoveries of various expenses	374	370
Extraordinary contingent assets	397	266
Income from elimination of assets	50	10
Other revenue and income	3,028	2,775
	3,849	**3,421**

The item contingent assets is mainly composed of the contribution of the parent company Mittel for EUR 0.3 million.

The item "Income from elimination of assets" is due to the contribution from Sport Fashion Service S.r.l..

The "Other revenue and income" item is mainly composed of the contribution of Ceramica Cielo S.p.A. of EUR 1.5 million (EUR 1.2 million as at 30 June 2022), Galassia S.r.l. of EUR 0.5 million (EUR 0.3 million as at 30 June 2022), Disegno Ceramica S.r.l. of EUR 0.3 million (EUR 0.5 million as 30 June 2022), IMC S.p.A. of EUR 0.3 million (EUR 0.2 million as 30 June 2022), Sport Fashion Service S.r.l. of EUR 0.4 million (EUR 0.1 million as at 30 June 2022).

29. Changes in inventories

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

	30.06.2023	30.06.2022
Increases in property inventories	93	1,853
Decreases in property inventories	(868)	(6,027)
Impairment losses in property inventories	-	-
Change in inventories of goods and products	2,724	3,623
Change in inventories of raw materials	1	956
Impairment losses in inventories	-	-
	1,949	**405**

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 IMC S.p.A. for a negative EUR 0.4 million, Ceramica Cielo S.p.A. for EUR 0.5 million, Disegno Ceramica S.r.l. for EUR 0.2 million, Galassia S.r.l. for EUR 0.1 million, and Sport Fashion Service S.r.l. for EUR 2.3 million.

30. Costs for purchases

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

	30.06.2023	30.06.2022
Purchases and property increases	(30,068)	(33,098)
Provision of services and consultancy	(495)	(335)
Maintenance	(159)	(143)
Other	(717)	(943)
	(31,438)	**(34,519)**

The main contributions to the item were from IMC S.p.A. for EUR 13.5 million (EUR 13.2 million as at 30 June 2022), Ceramica Cielo S.p.A. for EUR 5.9 million (EUR 5.7 million as at 30 June 2022), Disegno Ceramica

S.r.l. for EUR 2 million (EUR 2.2 million as at 30 June 2022), Galassia and its investee Galassia Hispania for EUR 4.5 million (EUR 5.1 million as at 30 June 2022), companies in the Real Estate sector for EUR 0.1 million (EUR 1.7 million as at 30 June 2022), Sport Fashion Service S.r.l. for EUR 5.5 million (EUR 6.6 million as at 30 June 2022).

31. Costs for services

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

	30.06.2023	30.06.2022
Legal consultancy	(227)	(170)
Notary consultancy	(10)	(22)
Other consultancy	(1,511)	(1,589)
General services and maintenance	(3,105)	(2,706)
Administrative, organisational and audit services	(49)	(63)
Directors' fees	(3,185)	(1,206)
Board of Statutory Auditors' fees	(181)	(179)
Supervisory Body's fees	(48)	(47)
Fees for prosecutors and Manager in charge	(8)	(8)
Leases and rentals	(377)	(327)
Insurance	(322)	(282)
Utilities	(4,425)	(4,665)
Advertising	(1,503)	(1,389)
Other services	(3,398)	(3,759)
	(18,348)	**(16,413)**

The costs for services were from IMC S.p.A. EUR 2.4 million (EUR 2 million as at 30 June 2022), Ceramica Cielo S.p.A. for EUR 5 million (EUR 5.5 million as at 30 June 2022), Disegno Ceramica S.r.l. for EUR 1.7 million (EUR 1.8 million as at 30 June 2022), Galassia and its investee Galassia Hispania for EUR 3.4 million (EUR 3.6 million as at 30 June 2022), the Real Estate sector for EUR 0.4 million (EUR 0.5 million as at 30 June 2022), Sport Fashion Service S.r.l. for EUR 1.8 million (EUR 1.5 million as at 30 June 2022) and the Parent Company Mittel for EUR 3.5 million (EUR 1 million as at 30 June 2022). Mittel's contribution is significantly influenced by the portion relating to the directors of the variable remuneration accrued, as a result of the sale of the Zaffiro Group, as envisaged by the remuneration policy.

32. Personnel costs

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

	30.06.2023	30.06.2022
Wages and salaries	(11,999)	(11,031)
Social security costs	(3,396)	(3,038)
Employee termination indemnity	-	-
Pension costs	-	-
Allocation to employee severance indemnity	(549)	(731)
Allocation to retirement fund and similar obligations	-	-
Payments to external supplementary pension funds	(5)	(4)
Other personnel costs	(991)	(635)
	(16,938)	**(15,438)**

In particular, personnel costs consisted of: EUR 3.4 million (EUR 3 million as at 30 June 2022) for IMC S.p.A., EUR 4.1 million (EUR 4 million as at 30 June 2022) for Ceramica Cielo S.p.A., EUR 2.3 million (EUR 2.3 million at 30 June 2022) for Disegno Ceramica S.r.l., EUR 3.7 million (EUR 3.8 million at 30 June 2022) for Galassia S.r.l. and its investee Galassia Hispania, EUR 20 thousand (EUR 24 thousand as at 30 June 2022) for Mittel Investimenti Immobiliari S.r.l., EUR 1.6 million (EUR 1.1 million as at 30 June 2022) for Sport Fashion Service S.r.l. and EUR 1.8 million (EUR 1 million as at 30 June 2022) by the contribution of the parent company Mittel. Mittel's contribution is significantly influenced by the portion relating to the employees of the variable remuneration accrued, as a result of the sale of the Zaffiro Group, as envisaged by the remuneration policy.

Average number of Group employees broken down by category:

	Exact number as at 30 June 2023	Half-year average 2023	Average in the year 2022 (*)
Managers	11	11	11
Officials	32	31	27
Employees	122	122	115
Blue-collar staff	388	390	375
Total	**553**	**554**	**528**

(*) The average for 2022 was recalculated following the exit from the consolidation of the Zaffiro Group companies.

33. Other costs

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

	30.06.2023	30.06.2022
Taxes and duties	(1,031)	(528)
Losses on receivables	(2)	(18)
Capital losses from transfer of property, plant and equipment	(132)	(11)
Extraordinary contingent liabilities	(117)	(86)
Other sundry operating expenses	(512)	(473)
	(1,795)	**(1,116)**

The “Taxes and duties” item is mainly composed of indirect taxes (mainly non-deductible VAT) of Mittel S.p.A. for EUR 0.8 million, the Real Estate sector for EUR 0.1 million, Ceramica Cielo S.p.A. for EUR 0.1 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 0.2 million), and Sport Fashion Service S.r.l. (EUR 0.1 million).

34. Amortisation and value adjustments to intangible assets

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

	30.06.2023	30.06.2022
Intangible assets		
Amortisation	(197)	(171)
Property, plant and equipment		
Depreciation of other assets owned	(2,818)	(2,746)
Depreciation of rights of use	(1,466)	(1,333)
	(4,482)	**(4,250)**

In more detail, this item is mainly composed of contributions from the companies in the Automotive sector (EUR 2.2 million, of which EUR 0.6 million for rights of use), Ceramica Cielo S.p.A. (EUR 0.8 million, of which EUR 0.3 million for rights of use), Disegno Ceramica S.r.l. (EUR 0.4 million, of which EUR 118 thousand for rights of use), Galassia S.r.l. (EUR 0.5 million, of which EUR 29 thousand for rights of use), Mittel S.p.A. (EUR 0.2 million, of which EUR 144 thousand for rights of use) and Sport Fashion Service S.r.l. (EUR 0.4 million, of which EUR 268 thousand for rights of use).

35. Allocations to the provision for risks

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

	30.06.2023	30.06.2022
Provisions for ongoing disputes:		
For personnel expenses	-	-
Other provisions	(177)	-
	(177)	**-**

The "Other provisions" item refers to the effect of the allocations made by Mittel Investimenti Immobiliari S.r.l. for EUR 80 thousand and Sport Fashion Service S.r.l. for EUR 97 thousand.

36. 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 detailed table is provided below:

	30.06.2023	31.12.2022
Pro-rata losses		
Mittel Generale Investimenti S.r.l.	(474)	-
	(474)	**-**

37. Financial income

The item is composed as follows:

	30.06.2023	30.06.2022
Bank interest income	434	5
Interest income on financial receivables	1,118	566
Other interest income	56	-
Other financial income	210	11
Exchange rate gains	20	126
	1,839	**708**

Interest income on financial receivables relates mainly to the contribution of the Parent Company Mittel S.p.A. (EUR 1.1 million; EUR 0.6 million as at 30 June 2022).

38. Financial expenses

The item is composed as follows:

	30.06.2023	30.06.2022
Interest expense on bonds	(285)	(286)
Interest expense on bank current accounts	(325)	(12)
Interest expense on bank loans	(89)	(137)
Interest expense on other loans	(14)	(286)
Other interest expenses	(394)	(359)
Other financial expenses	(56)	(105)
Exchange rate losses	(42)	(111)
	(1,205)	**(1,296)**

The “Interest expense on bonds” item is attributable exclusively to interest expense measured on bonds issued by Mittel S.p.A. for the first half.

Galassia S.r.l. mainly contributed to the item interest expense on bank loans for EUR 89 thousand (EUR 63 thousand as at 30 June 2022).

IMC S.p.A. was the main contributor to the “Interest expense on other loans” item, for EUR 0.3 million.

Other interest expense is related mainly to the company IMC S.p.A. for EUR 0.1 million (of which, interest on Rights of Use EUR 0.1 million), Ceramica Cielo S.p.A. for EUR 67 thousand (of which, interest on Rights of Use EUR 31 thousand), Disegno Ceramica S.r.l. for EUR 19 thousand (of which, interest on Rights of Use EUR 15 thousand), Sport Fashion Service S.r.l. for EUR 74 thousand (of which, interest on Rights of Use EUR 68 thousand) and the parent company Mittel S.p.A. for EUR 89 thousand (of which, interest on Rights of Use EUR 71 thousand).

Other financial expenses are mainly attributable to IMC S.p.A. for EUR 39 thousand, and to the Design sector for EUR 14 thousand.

39. Value adjustments to financial assets, loans and receivables

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

	30.06.2023	30.06.2022
Write-downs on financial receivables	(170)	(1,605)
Write-downs on other receivables	(24)	(128)
Net write-backs on financial assets	89	122
	(105)	**(1,611)**

Write-downs of financial receivables refer to the contribution from Mittel S.p.A.
The write-downs of other receivables refer primarily to the contribution from Sport Fashion Service S.r.l. for EUR 10 thousand and companies in the Design sector for EUR 14 thousand.
Reversals of impairment losses on financial assets refer to the contribution of Mittel S.p.A..

40. Profit (loss) from trading of financial assets

The item, present only in the comparison period, is composed as follows:

	30.06.2023	30.06.2022
Gains/losses on disposal of securities (current)	-	-
Capital gains/losses on securities valuation (current)	-	-
Derivative financial instruments	-	(72)
	-	**(72)**

41. Income taxes

The amount is composed as follows:

	30.06.2023	30.06.2022
IRES (corporate income tax)	(27)	(277)
IRAP (regional business tax)	(359)	(477)
Taxes of previous years	-	(40)
Total current taxes	**(387)**	**(794)**
Deferred tax liabilities	(12)	(17)
Deferred tax assets	(25)	406
Total deferred taxes	**(37)**	**389**
Total income taxes	**(424)**	**(405)**

42. Profit (loss) from discontinued operations

The item shows a balance of EUR 45 million

	30.06.2023	30.06.2022
Transfer of the Zaffiro Group	44,409	(3,630)
	44,409	**(3,630)**

The result from discontinued operations amounted to EUR 44.4 million as at 30 June 2023 and is composed of the capital gain deriving from the transfer of the Zaffiro Group of EUR 47.8 million and the loss for the period of the Zaffiro Group of EUR 3.5 million. As at 30 June 2022, the net loss from discontinued operations amounted to EUR 3.6 million, coinciding with the net result of the Zaffiro Group in the previous year.

The table below shows the breakdown of the result from discontinued operations as at 30 June 2023 compared with the previous year.

(Thousands of Euro)	Statement of profit (loss)	Capital gains from transfer	30.06.2023	30.06.2022
Revenue and other income	34,616		34,616	28,465
Purchases, provision of services, sundry costs	(13,164)		(13,164)	(10,598)
Personnel costs	(15,548)		(15,548)	(12,832)
Net operating costs	**5,904**	**-**	**5,904**	**5,036**
Profit (loss) from investments and financial assets		47,838	47,838	
Operating margin (EBITDA)	**5,904**	**47,838**	**53,743**	**5,036**
Amortisation/depreciation, allocations and adjustments to non-current assets	(5,078)		(5,078)	(4,716)
Operating result (EBIT)	**826**	**47,838**	**48,665**	**320**
Profit (loss) from financial management	(5,092)		(5,092)	(4,809)
Value adjustments to financial assets, loans and receivables	(27)		(27)	(14)
Profit (loss) before taxes	**(4,293)**	**47,838**	**43,545**	**(4,503)**
Taxes	863		863	874
Profit (loss) from discontinued operations	**(3,430)**	**47,838**	**44,409**	**(3,630)**

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

The item is composed as follows:

	30.06.2023	30.06.2022
Profit (loss) of non-controlling interests	(1,397)	(1,393)
	(1,397)	**(1,393)**

44. 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 2023, compared with the first half of the previous year, are as follows:

Earnings/(loss) per share attributable to the Parent Company (in EUR)	**30.06.2023**	**30.06.2022**
From income statement:		
- Basic	0.558	0.002
- Diluted	0.558	0.002
From comprehensive income:		
- Basic	0.556	0.004
- Diluted	0.556	0.004

Basic earnings or loss per share

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

Number of shares	**30.06.2023**	**30.06.2022**
(No. of ordinary shares)		
No. of shares at start of the period	81,347,368	81,347,368
Average weighted number of ordinary shares subscribed in the period	-	-
No. of treasury shares at start of the period	-	-
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 2023, compared with the half year of the previous year, are as follows:

Thousands of Euro		
Net profit/(loss) attributable to the Parent Company	**45,356**	**409**

EUR		
Basic earnings/(loss) per share attributable to the Parent Company	**0.558**	**0.005**

The consolidated comprehensive basic earnings or loss per share attributable to the Parent Company as at 30 June 2023, 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	**45,209**	**1,007**

EUR		
Total comprehensive basic earnings/(loss) per share attributable to the Parent Company	**0.556**	**0.012**

The comprehensive basic earnings or loss per share from discontinued operations as at 30 June 2023, compared with the half year of the previous year, are as follows:

Thousands of Euro		
Net profit/(loss) from discontinued operations	**44,409**	**(3,630)**

EUR		
Basic earnings or loss per share from discontinued operations	**0.546**	**(0.045)**

The basic earnings or loss per share from discontinued operations as at 30 June 2023, compared with the half year of the previous year, are as follows:

Thousands of Euro		
Comprehensive net profit/(loss) from discontinued operations	**44,189**	**(3,394)**

EUR		
Comprehensive basic earnings or loss per share from discontinued operations	**0.543**	**(0.042)**

Diluted earnings or loss per share

As at 30 June 2023, there were no factors that could lead to a potential dilution of the result per share, the overall earnings per share and the result of discontinued operations. For this reason, the relevant tables are not shown and reference should be made to the above.

45. Consolidated net financial position

According to the provisions of Consob Communication of 28 July 2006 and in compliance with "ESMA Guidelines on disclosure requirements under the prospectus regulation", it should be noted that the net financial position of the Mittel Group as at 30 June 2023 was positive for EUR 60.7 million (negative for EUR 271 million as at 31 December 2022), as shown in the table below:

(Thousands of Euro)	**30.06.2023**	**31.12.2022**
Cash	39	178
Cash equivalents	108,886	61,538
Other current financial assets (*)	-	-
Liquidity	**108,925**	**61,716**
Current bank loans and borrowings	(19,027)	(35,368)
Current portion of non-current bank loans and borrowings	(10,850)	(12,679)
Current financial debt	**(29,878)**	**(48,047)**
Net current financial debt	**79,047**	**13,669**
Non-current bank loans and borrowings	(18,322)	(282,698)
Debt instruments	-	-
Trade payables and other non-current payables	-	(2,009)
Non-current financial debt	**(18,322)**	**(284,707)**
Total financial debt	**60,726**	**(271,038)**

(*) The item refers to current financial receivables.

With regard 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.

46. Commitments and guarantees

As at 30 June 2023, the following guarantees were in place:

	30.06.2023	**31.12.2022**
Guarantees:		
financial	-	-
commercial	4,628	4,628
assets pledged as collateral	-	-
Commitments:		
disbursement of funds	4,285	4,285
other irrevocable commitments	-	-
	8,913	**8,913**

Commercial guarantees refer to (i) EUR 0.8 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, (ii) for 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 25 thousand 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 million and Mittel S.p.A. for EUR 1.3 million.

47. 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 2023, 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 assets				
Sundry receivables and other assets	-	25	-	**25**
Current liabilities				
Sundry payables and other liabilities	3,425	-	-	**3,425**
Income statement				
Revenue	-	25	-	**25**
Other income	-	25	-	**25**
Costs for services	(2,758)	-	-	**(2,758)**
Personnel costs	(297)	(11)	-	**(308)**

- The "Sundry payables and other current liabilities" item refers to the amount due to directors (EUR 3.2 million), to key managers (EUR 140 thousand) and statutory auditors (EUR 72 thousand) for fees accrued but still to be paid.

- "Sundry receivables and other current assets" refer to receivables for administrative services rendered to third parties as related parties.

- The "Revenue" and "Other income" items 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 2.7 million in Directors' fees and EUR 0.1 million in fees to the Board of Statutory Auditors. For further details, please refer to the "Report on Remuneration" which will be available on the company's website www.mittel.it, "Investor Relations" section, according to the legal terms.

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

48. 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.

48.1 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 2023, and for comparative purposes as at 31 December 2022, 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 2023			31 December 2022		
(thousands of Euro)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Other financial assets measured at fair value:						
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	-	11,091	382	-	11,349	391
Financial receivables measured at fair value:						
Financial receivables that did not pass the SPPI test	-	-	-	-	-	-
Total assets	**-**	**11,091**	**382**	**-**	**11,349**	**391**
Other financial liabilities:						
Hedging derivatives	-	-	-	-	-	9
Other financial liabilities	-		-	-	-	2.000
Total liabilities	**-**	**-**	**-**	**-**	**-**	**2,009**

Completing the analyses required by IFRS 13, the types of financial instruments contained in the financial statement items as at 30 June 2023 are shown and, for comparative purposes, as at 31 December 2022, 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 2023

Types of financial instruments	Criteria applied in the measurement of the financial instruments in the financial statements								
	Financial instruments at fair value						Financial instruments at amortised cost	Financial statements total as at 30.06.2023	Fair value as at 30.06.2023
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy					
	Income statement	*Equity in Other comprehensive income*	(A)	Level 1	Level 2	Level 3	(B)	(A+B)	
ASSETS									
Other non-current financial assets (a)	11,473	-	**11,473**	-	11,091	382	**-**	**11,473**	11,473
Non-current financial receivables (b)	-	-	**-**	-	-	-	**15,840**	**15,840**	15,840
Other receivables and financial assets (*) (b)	-	-	**-**	-	-	-	**196**	**196**	196
Other assets (*)	-	-	**-**	-	-	-	**351**	**351**	351
Trade receivables (*) (b)	-	-	**-**	-	-	-	**32,540**	**32,540**	32,540
Current sundry receivables (*) (b)	-	-	**-**	-	-	-	**881**	**881**	881
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**108,925**	**108,925**	108,925
	11,473	**-**	**11,473**	**-**	**11,091**	**382**	**158,733**	**170,206**	170,206
LIABILITIES									
Bonds (current and non-current) (b)	-	-	**-**	-	-	-	**15,434**	**15,434**	15,434
Financial payables (current and non-current) (*) (b)	-	-	**-**	-	-	-	**32,765**	**32,765**	32,765
Other financial liabilities (c)	-	-	**-**	-	-	-	**-**	**-**	-
Trade payables (*) (b)	-	-	**-**	-	-	-	**208**	**208**	208
Sundry payables (*) (b)	-	-	**-**	-	-	-	**34,649**	**34,649**	34,649
	-	**-**	**-**	**-**	**-**	**-**	**83,057**	**83,057**	83,057

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

Position as at 31 December 2022

Types of financial instruments	Criteria applied in the measurement of the financial instruments in the financial statements								
	Financial instruments at fair value						Financial instruments at amortised cost	Financial statements total as at 31 December 2022	Fair value as at 31 December 2022
	with change in fair value with contra-item recognised in:		Total Fair Value	Fair Value Hierarchy					
	Income statement	*Equity in Other comprehensive income*	(A)	Level 1	Level 2	Level 3	(B)	(A+B)	
ASSETS									
Other non-current financial assets (a)	11,740	-	**11,740**	-	11,349	391	**-**	**11,740**	11,740
Non-current financial receivables (b)	-	-	**-**	-	-	-	**15,836**	**15,836**	15,836
Other receivables and financial assets (*) (b)	-	-	**-**	-	-	-	**153**	**153**	153
Other assets (*)	-	-	**-**	-	-	-	**324**	**324**	324
Trade receivables (*) (b)	-	-	**-**	-	-	-	**44,095**	**44,095**	44,095
Current sundry receivables (*) (b)	-	-	**-**	-	-	-	**1,547**	**1,547**	1,547
Cash and cash equivalents (*)	-	-	**-**	-	-	-	**61,716**	**61,716**	61,716
	11,740	**-**	**11,740**	**-**	**11,349**	**391**	**123,671**	**135,411**	135,411
LIABILITIES									
Bonds (current and non-current) (b)	-	-	**-**	-	-	-	**15,435**	**15,435**	15,437
Financial payables (current and non-current) (*) (b)	-	-	**-**	-	-	-	**315,310**	**315,310**	315,310
Other financial liabilities (c)	-	9	**9**	-	-	-	**2.000**	**2,009**	2,009
Trade payables (*) (b)	-	-	**-**	-	-	-	**170**	**170**	170
Sundry payables (*) (b)	-	-	**-**	-	-	-	**47,141**	**47,141**	47,141
	-	**9**	**9**	**-**	**-**	**-**	**380,056**	**380,065**	380,067

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.
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 measured at fair value level 3 in the year

During the half year as at 30 June 2023, no transfers of financial assets and liabilities at fair value on a recurring basis from level 3 to other levels and vice-versa were made, deriving from changes to significant input variables of observable valuation techniques.
With reference to financial instruments classified in level 3 of the fair value hierarchy, details of changes in the half year, including profits/(losses) booked to the income statement, are shown below:

(thousands of Euro)	Financial assets	Financial liabilities
As at 31 December 2022	**391**	**2,009**
(Profits)/losses recognised in the income statement	(9)	
Profits/(losses) recognised in other comprehensive income		
Purchases/Issues/Disposals/Extinguishments		(2,009)
As at 30 June 2023	**382**	**-**

48.2 Classifications of financial instruments

Categories of financial assets and liabilities

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

Additional disclosures required by IFRS 7 in order to assess the relevance of the financial instruments with reference to the Mittel Group's financial position are shown below:

	IFRS 9 CATEGORIES			
Financial assets as at 30 June 2023	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	-	11,473	-	11,473
Bonds	-	-	-	-
Non-current receivables:				
Financial receivables	15,840	-	-	15,840
Sundry receivables	1,138	-	-	1,138
Receivables due from related parties	-	-	-	-
Receivables due from customers and other current commercial assets:				
Sundry receivables and other assets	39,082	-	-	39,082
Current financial assets:				
Financial receivables	-	-	-	-
Derivatives	-	-	-	-
Cash and cash equivalents				
Bank and postal deposits	108,886	-	-	108,886
TOTAL FINANCIAL ASSETS	**164,945**	**11,473**	**-**	**176,418**

	IFRS 9 CATEGORIES			
Financial assets as at 31 December 2022	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	-	11,740	-	**11,740**
Bonds	-	-	-	**-**
Non-current receivables:				
Financial receivables	15,836	-	-	**15,836**
Sundry receivables	1,292	-	-	**1,292**
Receivables due from related parties	-	-	-	**-**
Receivables due from customers and other current commercial assets:				
Sundry receivables and other assets	53,484	-	-	**53,484**
Current financial assets:				
Financial receivables	-	-	-	**-**
Other financial assets	-	-	-	**-**
Derivatives	-	-	-	**-**
Cash and cash equivalents				
Bank and postal deposits	61,538	-	-	**61,538**
TOTAL FINANCIAL ASSETS	**132,150**	**11,740**	**-**	**143,890**

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 2023	IFRS 9 CATEGORIES Financial instruments at fair value	 Liabilities at amortised cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	1,925	**1,925**
Other financial liabilities	-	16,397	**16,397**
Sundry payables and other liabilities	-	208	**208**
Bonds	-	-	**-**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	14,444	**14,444**
Trade payables	-	29,929	**29,929**
Sundry payables	-	1,062	**1,062**
Bonds	-	15,434	**15,434**
Other financial liabilities:			
Hedging derivatives	-	-	**-**
Non-hedging derivatives	-	-	**-**
TOTAL FINANCIAL LIABILITIES	**-**	**79,398**	**79,398**

Financial liabilities as at 31 December 2022	IFRS 9 CATEGORIES Financial instruments at fair value	 Liabilities at amortised cost	Book value
Non-current payables and financial liabilities:			
Bank loans and borrowings	-	27,292	**27,292**
Other financial liabilities	-	255,406	**255,406**
Sundry payables and other liabilities	-	170	**170**
Bonds	-	-	**-**
Current liabilities:			
Loans and borrowings from banks and other lenders	-	32,612	**32,612**
Trade payables	-	42,709	**42,709**
Sundry payables	-	4,370	**4,370**
Bonds	-	15,435	**15,435**
Other financial liabilities:			
Hedging derivatives	-	-	**-**
Non-hedging derivatives	9	-	**9**
TOTAL FINANCIAL LIABILITIES	**9**	**377,993**	**378,003**

48.3 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 (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 as at 30 June 2023 and as at 31 December 2022.

Type of exposures/amounts	Gross exposure	Specific value adjustments	Net exposure
Total as at 30 June 2023	**53,328**	**(37,488)**	**15,840**
Total as at 31 December 2022	**53,328**	**(37,492)**	**15,836**

The table below shows the details of trade receivables as at 30 June 2023, 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 EUR

	30.06.2023		
	Nominal value	Write-downs	Net value
Falling due	18,693	-	18,693
0-180 days	11,002	(111)	10,891
180-360 days	597	(562)	36
More than 360 days	3,917	(3,563)	354
	34,209	**(4,236)**	**29,974**

The figures relating to the financial statements closed as at 31 December 2022 are provided below.

Amounts in thousands of EUR

	31.12.2022		
	Nominal value	Write-downs	Net value
Falling due	16,499	(102)	16,398
0-180 days	24,347	(134)	24,213
180-360 days	1,317	(620)	697
More than 360 days	4,139	(4,148)	(9)
	46,302	**(5,004)**	**41,299**

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 adoption of IFRS 9, which leads 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

Cash and cash equivalents of the Group totalled EUR 108,925 thousand (EUR 61,716 thousand as at 31 December 2022) and are composed of bank deposits and cash on hand.
As regards the choice of counterparties for the management of temporary surpluses of cash and the stipulation of financial hedging contracts (derivative instruments), the Group only uses contacts with a high credit standing.
In this regard, it should be noted that, as at 30 June 2023, 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 2023 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:

	30.06.2023	31.12.2022
Financial guarantees issued	-	-
Commercial guarantees issued	4,628	4,628
Irrevocable commitments to disburse funds	4,285	4,285
Commitments underlying credit derivatives	-	-
Other irrevocable commitments	-	-
	8,913	**8,913**

2. Market risks

Interest rate risk

General aspects

Interest rate risk generally refers to the effects of changes in market interest rates on the income statement and on the statement of financial position.
In order to measure and monitor the interest rate risk profile at individual company and consolidated level, reports are generated which ensure the accurate monitoring of the trend in debt rates.

This reporting system makes it possible to continuously record the “margin” between the average rate of debt and lending and to determine the impacts of changes in the structure of interest rates on the entire financial statements for the year.

Quantitative information

The table below identifies the book value of the financial assets and liabilities:

Distribution by repricing date of financial assets and liabilities

Items/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 as at 30.06.2023
Assets							
Debt securities	-	-	-	-	-	-	-
Medium/long-term financial receivables	-	-	15,840	-	-	-	15,840
Current financial receivables	-		-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Financial assets at fair value	-	-	-	-	-	-	-
	-	**-**	**15,840**	**-**	**-**	**-**	**15,840**
Liabilities							
Non-current bank loans	-	-	-	-	-	-	-
Current bank loans	10,850	826					11,676
Other non-current financial payables	-	-	1,925	-	-	-	1,925
Other current financial payables	-	-		-	-	-	-
Bonds	15,434	-	-	-	-	-	15,434
	26,284	**826**	**1,925**	**-**	**-**	**-**	**29,035**
Financial derivatives							
Hedging derivatives	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**
	(26,284)	**(826)**	**13,915**	**-**	**-**	**-**	**(13,195)**

The table does not include the entries recognised in applying IFRS 16, which are better described in other sections of this report.

The data relating to the previous year are shown below:

Items/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 as at 31.12.2022
Assets							
Debt securities	-	-	-	-	-	-	-
Medium/long-term financial receivables	-	-	15,836	-	-	-	15,836
Current financial receivables	-		-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Financial assets at fair value	-	-	-	-	-	-	-
	-	**-**	**15,836**	**-**	**-**	**-**	**15,836**
Liabilities							
Non-current bank loans	-	-	25,839	1,453	-	-	27,292
Current bank loans	676	15,068					15,744
Other non-current financial payables	-	-	-	-	-	-	-
Other current financial payables	-	7,651		-	-	-	7,651
Bonds	15,435	-	-	-	-	-	15,435
	16,111	**22,719**	**25,839**	**1,453**	**-**	**-**	**66,122**
Financial derivatives							
Hedging derivatives	-	-	9	-	-	-	9
Trading derivatives	-	-	-	-	-	-	-
	-	**-**	**9**	**-**	**-**	**-**	**9**
	(16,111)	**(22,719)**	**(10,012)**	**(1,453)**	**-**	**-**	**(50,295)**

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 2023, 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 2023, 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 EUR	**30 June 2023**		
	Fixed rate	Variable rate	Total
Bank loans		11,676	**11,676**
Bonds	15,434		**15,434**
Other financial liabilities		1,925	**1,925**
Total	**15,434**	**13,601**	**29,035**

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 EUR	**31 December 2022**		
	Fixed rate	Variable rate	Total
Bank loans		43,036	**43,036**
Bonds	15,435		**15,435**
Other financial liabilities	677	6,974	**7,651**
Total	**16,112**	**50,010**	**66,122**

Amounts in thousands of EUR	**30 June 2023**		
	Fixed rate	Variable rate	Total
Financial receivables		15,840	**15,840**
Other financial assets			**-**
Total	**-**	**15,840**	**15,840**

The data relating to the previous year are shown below:

Amounts in thousands of EUR	31 December 2022		
	Fixed rate	Variable rate	Total
Financial receivables	1,963	13,873	**15,836**
Other financial assets			**-**
Total	**1,963**	**13,873**	**15,836**

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 EUR	30 June 2023		31 December 2022	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Deposits and cash	108,925	1.02%	61,716	0.13%
Other financial receivables	15,840	7.69%	15,836	6.44%
Total	**124,765**	**2.06%**	**77,552**	**1.67%**

Amounts in thousands of EUR	30 June 2023		31 December 2022	
	Adjusted book value	Effective interest rate (%)	Adjusted book value	Effective interest rate (%)
Bank loans	11,676	3.03%	43,036	2.17%
Bonds	15,434	3.69%	15,435	3.69%
Other financial liabilities	1,925	0.00%	7,651	0.00%
Total	**29,035**	**2.94%**	**66,122**	**2.30%**

Currency risk – Sensitivity analysis

As at 30 June 2023 (and as at 31 December 2022), 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 EUR	**expiring by 31.12 of the year:**					
	2023	**2024**	**2025**	**2026**	**Beyond 2026**	**Total**
Bank loans	10,850	826	-	-	-	11,676
Other loans	-	-	1,925	-	-	1,925
Bonds	15,434	-	-	-	-	15,434
Derivative financial instruments		-	-	-	-	-
Total	**26,284**	**826**	**1,925**	**-**	**-**	**29,035**

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.

49. 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, 27 September 2023

for the Board of Directors

The Chairman

(Marco Giovanni Colacicco)

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 2023.

It is also certified that the condensed half-yearly consolidated financial statements for the period ended as at 30 June 2023:

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 the 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, 27 September 2023

Director in charge of the risk management and internal control system

Anna Francesca Cremascoli

Manager in charge of financial reporting

Pietro Santicoli

Independent Auditors' Report